

# Appendix 4D

## Half Year Report to the Australian Stock Exchange

### Part 1

<b>Name of Entity</b>	Optima Corporation Limited
<b>ABN</b>	36 098 455 460
<b>Half Year Ended</b>	31 December 2006
<b>Previous Corresponding Reporting Period</b>	Half Year Ended 31 December 2005

### Part 2 – Results for Announcement to the Market

	<b>\$'000</b>	<b>Percentage increase /(decrease) over previous corresponding period</b>
<b>Revenue from continuing operations</b>	3,281	488%
<b>Loss from continuing activities after tax attributable to members</b>	(413)	179%
<b>Net loss attributable to members</b>	(1,286)	4%

<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend</b>	Nil	Nil
<b>Interim Dividend</b>	Nil	Nil
<b>Record date for determining entitlements to the dividends (if any)</b>	Not Applicable	

**Brief explanation of any of the figures reported above necessary to enable the figures to be understood:**

Refer Part 4 for commentary on the results for the half year.

### **Part 3 – Contents of ASX Appendix 4D**

<b>Section</b>	<b>Contents</b>
Part 1	Details of entity, reporting period
Part 2	Results for announcement to the market
Part 3	Contents of ASX Appendix 4D
Part 4	Commentary on results
Part 5	Details relating to dividends
Part 6	Net tangible assets per security
Part 7	Details of entities over which control has been gained or lost
Part 8	Details of associates and joint venture entities
Part 9	Information on audit or review

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## Part 4 – Commentary on Results

The half year ended 31 December 2006 was pleasing in so much as the acquisition of Vmoto contributed approximately \$2.68m in revenues, which overall, grew to approximately \$3.3 million for the consolidated entity (excluding West Surfing).

Although the Company posted a loss, over 65% of that loss was attributable West Surfing USA, Inc. which was disposed of during the period, and the balance can be attributed to non-recurring costs associated with the acquisition, historical foreign exchange losses brought to account and other non-recurring legacy issues.

Further, although the loss generated by West Surfing Inc, is disappointing, the Company expects to recoup net cash proceeds of between US\$250,000 and US\$350,000 from the disposal.

Domestically, Vmoto the brand performed in line with expectations with a total of 1,569 units of scooters and 254 units of ATV's sold, generating turnover for the half year in Australia to approximately \$2.68m. This is despite the office being closed for the second half of December due to the Christmas break and some reasonably intense competition given the rapidly expanding scooter market.

Internationally, Vmoto appointed a new distributor for the New Zealand market that resulted in the delivery of approximately 160 units of scooters. This followed the termination of the pre-existing joint venture agreement with Vmoto once again enjoying 100% of the benefits of exporting into New Zealand.

Vmoto also signed a major strategic agreement with the Sharaf Group ("Sharaf") based in Dubai, United Arab Emirates, whereby Sharaf were appointed as the exclusive Vmoto distributor in the UAE. Further, Vmoto granted Sharaf an option to further distribution rights to 13 territories throughout the Middle East.

Following on from the signing of the distribution agreement, Sharaf placed the first Vmoto order totaling approximately A\$151,000.

Significantly, the acquisition of Vmoto and the more recent acquisition of Freedomotor Company Limited (1 January 2007), provides Optima with an extremely solid and profitable foundation of reasonable scale together with global opportunities with the potential to generate substantial revenue and profits. This fact is highlighted by the performance of the group subsequent to balance date whereby January's revenue alone exceeded the performance of the Group for the entire preceding 6 month period.

## Part 5 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

## Part 6 – Net Tangible Assets per Security

	2006	2005
Net tangible asset backing per ordinary security	(0.2) cents	0.93 cents

**Part 7 – Details of Entities Over Which Control has been Gained or Lost**

Name of entity (or group of entities)	<b>West Surfing Products (USA) Inc.</b>
Date control gained or lost	<b>30 November 2006</b>
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	<b>(\$873,524)</b>
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	<b>(\$1,,088,627)</b>
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	<b>(\$21,482)</b>

**Part 8 – Details of Associates and Joint Venture Entities**

Name of entity	Ownership Interest		Contribution to net profit/(loss)	
	2004 %	2003 %	2004 \$A'000	2003 \$A'000
	N/A	N/A	N/A	N/A
Associates				
Joint Venture Entities				
Aggregate Share of Losses				

**Part 9 – Audit/Review Status**

<b>This report is based on accounts to which one of the following applies:</b> (Tick one)			
The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input checked="" type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

**If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:**

Not applicable

**If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:**

Not applicable



**HALF-YEAR FINANCIAL REPORT**  
for the period ended 31 December 2006

## D I R E C T O R S ' R E P O R T

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The directors present their report together with the consolidated financial report for the half-year ended 31 December 2006 and the auditor's review report thereon:

### 1. Directors

The directors of the Company at any time during or since the end of the half-year are:

Name	Period of directorship
Mr Blair Sergeant <i>Managing Director</i>	Appointed 29 January 2004
Mr Patrick Davin <i>Executive Director</i>	Appointed 30 June 2006
Mr Trevor Beazly <i>Non-Executive Director</i>	Appointed 26 October 2006
Mr Yiting (Charles) Chen <i>Executive Director</i>	Appointed 8 January 2007

### 2. Results

The loss of the consolidated entity for the half-year was \$1,286,268 (2005: \$1,237,233) after income tax of nil (2005: nil).

### 3. Review of Activities

The half year ended 31 December 2006 was pleasing, particularly as revenues grew to approximately \$3.3 million, which was a 144% increase on the total sales achieved during the previous 6 month period.

Although the Company posted a loss, in the main was attributed to continued difficult trading conditions with *West* and the subsequent abnormal items arising from the divestment of the business.

#### **VMOTO**

Following the acquisition of *Vmoto*, completed on 30 June 2006, the 6 month period ending 31 December 2006 was to a degree, one of consolidation and transition.

Domestically, the brand performed in line with expectations with a total of 1,569 units of scooters and 254 units of *ATV's* sold, generating turnover for the half year in Australia to approximately \$2.68m. This is despite the office being closed for the second half of December due to the Christmas break and some reasonably intense competition given the rapidly expanding scooter market.

Sales of the new models, the 50cc *Matrix* and 125cc *Montego*, have continued to track strongly following on from their release in the previous quarter. *Matrix* sales year to date have been double the budgeted figure, whilst *Montego* sales remain strong and in line with budget.

*Vmoto's* original models continue to sell well with sales of the *Monaco* 8.5% above budget. The iconic *Milan* remains *Vmoto's* top selling model accounting for 29% of *Vmoto's* total unit sales closely followed by the *Monza* that made up 28% of the unit sales.



[www.vmoto.com.au](http://www.vmoto.com.au)

Although the turnover was in-line with expectations, profitability was down. However, there were a number of one off transactions costs and other non recurring expenses incurred during the period which are not expected during the second half. The Board is confident that operations moving forward will return to a level of profitability consistent with historical performance.

#### *New Models*

Vmoto currently has 4 new models under going Australian compliance, with two of those models expected to be released during the quarter ended June 2007 and the remaining 2 models expected for release in late 2007.

#### *Vmoto - International*

During the period, Vmoto appointed a new distributor for the New Zealand market that resulted in the delivery of approximately 160 units of scooters. This followed the termination of the pre-existing joint venture agreement with Vmoto once again enjoying 100% of the benefits of exporting into New Zealand.

Vmoto also signed a major strategic agreement with the Sharaf Group ("Sharaf") based in Dubai, United Arab Emirates, whereby Sharaf were appointed as the exclusive Vmoto distributor in the UAE. Further, Vmoto granted Sharaf an option to further distribution rights to 13 territories throughout the Middle East.

Following on from the signing of the distribution agreement, Sharaf placed the first Vmoto order totaling approximately A\$151,000. The priority consignment was delivered in December and comprises the first offering of product into the UAE, to be sold through an exclusive Vmoto concept retail outlet, located in the prestigious Times Square Mall (Dubai), expected to open in April 2007.

Despite delivering another 130 units of scooters into the USA, manufacturing problems lead to the return of those units to China and therefore a reversing of the sales. However, a full refund is imminent and new orders will be shipped to the USA in the second half, where demand remains strong.

#### *West Surfing USA ("West")*

As previously advised, the Board conducted a strategic review of West Surfing USA which has resulted in the disposal of that business, effective 30 November 2006. Total net proceeds expected to be realised by Optima following the sale is US\$250,000 to US\$275,000 over the next 18 months.

Further, it should be noted this business contributed a total loss of \$873,524 during the half-year and the Board is pleased that these losses will no longer need to be sustained in future periods.

#### *Creatures of Leisure USA ("Creatures")*

Following on from the exit of the West business as described above, a strategic review has been conducted on the viability of maintaining the Creatures of Leisure USA operations. Although Creatures performance during the half year was reasonable, it is difficult to justify a continuance given the West disposal.

Furthermore, the acquisition of Vmoto and the more recent acquisition of Freedomotor Company Limited (1 January 2007), has provided Optima with a profitable foundation of reasonable scale and global opportunities of significance. It is the Board's opinion that Optima's shareholders would be best served if management focused its attention of these opportunities. Therefore, the Board is seriously considering a disposal of the Creatures business in the near term.

DIRECTORS' REPORT

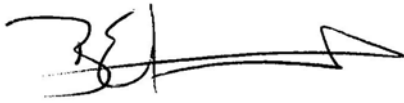
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**4. Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The auditor's declaration is set out on page 20 and forms part of the directors' report for the half-year ended 31 December 2006.

Dated at Perth, Western Australia, this 28<sup>th</sup> day of February 2007.

Signed in accordance with a resolution of the directors:



**Blair Sergeant**  
*Managing Director*

**CONSOLIDATED INTERIM INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Note	Consolidated	
		31 December 2006	31 December 2005
		\$	\$
<b>Continuing Operations</b>			
Revenue	2	3,281,251	599,099
Cost of sales		<u>(2,040,627)</u>	<u>(362,796)</u>
Gross Profit		1,240,624	236,303
Other revenue from ordinary activities	2	13,002	4,790
Operational expenses		(362,583)	(27,107)
Marketing and distribution expenses		(323,096)	(34,096)
Selling expenses		(43,196)	(17,886)
Corporate and administrative expenses		(452,652)	(57,993)
Occupancy expenses		(76,440)	(27,534)
Loss on Disposal of subsidiary	5	(21,482)	
Other expenses from ordinary activities		(300,882)	(225,083)
Loss before finance costs and income tax		(326,705)	(148,606)
Finance costs		(86,039)	
Loss before tax from Continuing Operations		(412,744)	(148,606)
Income tax		-	-
<b>Loss after tax from Continuing Operations</b>		<u><b>(412,744)</b></u>	<u><b>(148,606)</b></u>
<b>Discontinuing Operations - WEST Surfing Products (USA) Inc.</b>			
<b>Loss after tax from Discontinuing Operations</b>	4	<u><b>(873,524)</b></u>	<u><b>(1,088,627)</b></u>
<b>Total Loss after Tax</b>		<u><u><b>(1,286,268)</b></u></u>	<u><u><b>(1,237,233)</b></u></u>
<b>Basic Loss per Share Continuing Operations</b>	3	<u>(0.24) cents</u>	<u>(0.17) cents</u>
<b>Basic Loss per Share Total Operations</b>	3	<u>(0.74) cents</u>	<u>(1.28) cents</u>

Diluted loss per share does not represent an inferior view of the Company's performance and is not disclosed for this reason.

The income statement is to be read in conjunction with the accompanying notes.

**CONSOLIDATED INTERIM BALANCE SHEET**  
AS AT 31 DECEMBER 2006

	Note	Consolidated	
		31 December 2006	30 June 2006
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	129,274	453,536
Trade and other receivables		1,014,640	731,970
Inventories		725,578	1,431,744
Other		21,194	21,194
Total Current Assets		1,890,686	2,638,444
<b>NON CURRENT ASSETS</b>			
Trade and other receivables		1,055	1,055
Plant and equipment		211,738	225,213
Intangible Assets		5,996,414	6,000,250
Total Non Current Assets		6,209,207	6,226,518
<b>TOTAL ASSETS</b>		8,099,893	8,864,962
<b>CURRENT LIABILITIES</b>			
Trade and other payables		746,534	1,204,060
Interest-bearing Loans and borrowings		1,162,747	2,167,065
Provisions		46,120	15,879
Derivative Liability		131,746	-
Other Liabilities		-	38,470
Total Current Liabilities		2,087,147	3,425,474
<b>NON CURRENT LIABILITIES</b>			
Interest bearing loans and borrowings		384,451	250,000
Total Non Current Liabilities		384,451	250,000
<b>TOTAL LIABILITIES</b>		2,471,598	3,675,474
<b>NET ASSETS</b>		5,628,295	5,189,488
<b>EQUITY</b>			
Contributed equity	3	15,210,810	13,526,734
Reserves		30,331	(10,668)
Accumulated losses		(9,612,846)	(8,326,578)
<b>TOTAL EQUITY</b>		5,628,295	5,189,488

The balance sheet is to be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM  
STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	<b>Consolidated</b>	
	<b>31 December 2006</b>	<b>31 December 2005</b>
	\$	\$
<b>Cash flows used in operating activities</b>		
Cash receipts from customers	3,544,009	1,289,319
Cash payments to suppliers and employees	(4,441,145)	(2,188,579)
Interest received	12,722	6,958
Borrowing costs	(86,039)	(1,085)
	<b>(970,453)</b>	<b>(893,387)</b>
<b>Net cash used in operating activities</b>		
<b>Cash flows used in investing activities</b>		
Cash acquired on acquisition of subsidiary	-	-
Proceeds from sale of investments	-	75
Payments for intellectual property rights	-	(18,374)
Payments for plant & equipment	-	(3,294)
	-	<b>(21,593)</b>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Proceeds from exercise of options	-	-
Proceeds from issue of shares	1,798,850	275,150
Proceeds from borrowings	125,000	200,000
Repayment of borrowings	(300,000)	(1,276)
Transaction costs from issue of shares	(119,338)	(13,004)
Other Funds on Deposit	400,000	-
	<b>1,904,512</b>	<b>460,870</b>
<b>Net cash provided by financing activities</b>		
Net increase/(decrease) in cash and cash equivalents	934,059	(454,110)
Cash and cash equivalents at beginning of period	(808,335)	639,472
Effect of exchange rate fluctuations on cash held	3,450	6,136
	<b>129,174</b>	<b>191,498</b>
<b>Cash and cash equivalents at end of period</b>	<b>8 129,174</b>	<b>191,498</b>

The statement of cash flows is to be read in conjunction with the accompanying notes.

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

Consolidated	Issued Capital \$	Reserves \$	Retained Earnings \$	Total \$
<b>Balance as at 1 July 2006</b>	13,526,734	(10,668)	(8,326,578)	5,189,488
Currency translation differences	-	929	-	929
Total income and expense for period recognised directly in equity	13,526,734	(9,739)	(8,326,578)	5,190,417
Loss for the period	-	-	(1,286,268)	(1,286,268)
Total income/ expense for the period	13,526,734	(9,739)	(9,612,846)	3,904,149
Shares issued	1,798,849	-	-	1,798,849
Transaction costs from issue of shares	(114,773)	-	-	(114,773)
Cost of share based options issue	-	40,070	-	40,070
<b>Balance as at 31 December 2006</b>	<b>15,210,810</b>	<b>30,331</b>	<b>(9,612,846)</b>	<b>5,628,295</b>
<b>Consolidated</b>				
<b>Balance as at 1 July 2005</b>	7,833,468	(43,137)	(6,055,257)	1,735,074
Currency translation differences	-	32,469	-	32,469
Total income/ expense for the period	7,833,468	(10,668)	(6,055,257)	1,767,543
Loss for the period	-	-	(2,271,321)	(2,271,321)
Total income/ expense for the period	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 31 December 2005	<b>13,526,734</b>	<b>(10,668)</b>	<b>(8,326,578)</b>	<b>5,189,488</b>

The statement of changes in equity is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Optima Corporation Limited as at 30 June 2006,

It is also recommended that the half-year financial report be considered together with any public announcements made by Optima Corporation Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of Preparation**

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

*Going Concern Basis*

The consolidated entity has recorded a loss after tax for the half-year of \$1,286,268 (2005: \$1,237,233). At 31 December 2006, the consolidated entity has a deficiency in working capital of \$196,461 [2005: \$787,030]. Whilst the consolidated entity has yet to establish profitable operations, the directors have prepared the financial statements on a going concern basis, 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:

- the consolidated entity continues to achieve increased activity in sales of product;
- the Company has the option to further reduce corporate and other non-sales resources without materially affecting revenue activities; and
- the Company believes it has the ability to raise additional funding if required.

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

**(b) Statement of Compliance**

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

NOTES TO THE CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS

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**(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.

*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) 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%

NOTES TO THE CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS

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*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.

**(f) Borrowing costs**

Borrowing costs are recognised as an expense when incurred.

**(g) 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.

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.

**(h) Investments**

*Controlled entities*

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

**(i) 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.

**(j) 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 CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS

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**(k) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

**(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) 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.

**(n) 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.

**(o) 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').

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial lattice model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

**(p) Wages, salaries, annual leave, sick leave and non-monetary benefits**

Liabilities for employee benefits for wages, salaries, annual leave and sick 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.

**(q) Revenue**

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.

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*Interest income*

Interest income is recognised as it accrues.

**(r) 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:

- 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 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.

NOTES TO THE CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS

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**(s) 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.

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.

**(t) Derivative financial instruments**

The Group uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement.

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

NOTES TO THE CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS

**(u) Goodwill**

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**(v) Comparatives**

Due to purchase price reallocation, goodwill has changed from the amount reported as at 30 June 2006.

**2. REVENUE AND EXPENSES**

**Specific items**

Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

REVENUE AND EXPENSES OF CONTINUING OPERATIONS	2006 \$	Consolidated 2005 \$
<b>(i) Revenue</b>		
Sale of goods	3,281,251	599,099
	3,281,251	599,099
<b>(ii) Other income</b>		
Interest income	13,002	4,790
<b>(iii) Expenses</b>		
Depreciation	10,631	40,703
Employee benefits	511,264	338,423

NOTES TO THE CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS

3. ISSUED CAPITAL	31 December 2006 \$	30 June 2006 \$
<i>Ordinary shares</i>		
183,325,417 (June 2006: 159,340,751) ordinary shares, fully paid	15,210,810	13,526,734
<i>Movements in ordinary shares on issue</i>		
	Number of Ordinary Fully Paid Shares	Issued Capital \$
Balance 1 July 2006	159,340,751	13,526,734
Shares issued pursuant to share purchase plan at 7.5 cents each	23,984,666	1,798,850
Cost of share issues	-	(114,774)
Balance 31 December 2006	183,325,417	15,210,810

*Options*

The following options to subscribe for ordinary fully paid shares are outstanding at balance date:

- 12,955,000 options exercisable at 20 cents each on or before 31 March 2007
- 1,000,000 options exercisable at 20 cents each on or before 30 June 2008.
- 1,000,000 options exercisable at 10 cents each on or before 30 June 2009.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

**4. 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.

*Geographical Segments*

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

**Continuing Operations**

	Revenue		Loss	
	December 2006 \$	December 2005 \$	December 2006 \$	December 2005 \$
Australia	2,806,103	5,990	(501,397)	(165,768)
USA	488,150	597,900	88,653	17,162

**Discontinuing Operations**

	Revenue		Loss	
	December 2006 \$	December 2005 \$	December 2006 \$	December 2005 \$
USA	291,832	742,008	(873,524)	(1,088,627)

NOTES TO THE CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS

**5. DISCONTINUED OPERATIONS**

On 30<sup>th</sup> November Optima Corporation Limited finalised the disposal of its wholly owned subsidiary West Surfing Products (USA), Inc.

Under the agreement, Optima will transfer the license back to West Surfing Products Australia Pty Ltd, by way of disposal of the loss making West Surfing USA vehicle in share sale transaction.

West Surfing Products(USA) Inc	31 December 2006 \$000's	31 December 2005 \$000's
<b>Discontinuing Operations</b>		
Revenue	292	742
Cost of sales	357	652
Gross Profit	(65)	90
Expenses	(808)	(1,178)
Loss after tax from discontinued operations	(873)	(1,088)

Details of the disposal of West Surfing Products

	31 December 2006 \$000's
Inventory Assets	322
Proceeds Cash	322
FX loss taken to P/L on disposal	(24)
<b>Net Loss on disposal</b>	<b>(24)</b>

**6. ACQUISITION OF A SUBSIDIARY COMPANY**

On 16<sup>th</sup> October 2006 Optima's Joint Venture operation, of which Vmoto was a 50% partner, came to an end, resulting in Vmoto once again taking 100% control of the distribution into that market.

**7. EVENTS AFTER THE BALANCE SHEET DATE**

On 19 December 2006 Optima Corporation Limited executed a formal share sale agreement to acquire Freedomotor Company Limited, an international scooter/motorcycle trading and distribution company based in Shanghai.

The effective date for the transaction was 1<sup>st</sup> January 2007 with the following terms:

- Optima to pay vendor of Freedomotor US\$1m in cash on 5 January 2007
- Optima to pay the vendor of Freedomotor US\$1.5m cash on 3 April 2007
- Optima to pay further consideration to the vendor equal to Freedomotor's 2007 (calendar year) NPAT, forecast at US\$2.5m, subject to receipt of audited accounts for that calendar year ("deferred consideration") and Optima shareholder approval
- Deferred consideration to be satisfied through the issue of Optima shares, the issue price to be 80% of VWAP of Optima's shares during the 14 days prior to issue, expected to be approximately February 2008.

Optima Corporation Limited issued a total of 44 Convertible notes each with a face value of \$25,000, raising a total of \$1.1 million.

NOTES TO THE CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS

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8. EARNINGS PER SHARE

	Number
<b>Weighted average number of shares used as the denominator</b>	
Ordinary shares	<u>173,888,827</u>

9. ADDITIONAL INFORMATION

**Reconciliation of Cash**

For the purposes of the Consolidated Interim Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December 2006:

	Consolidated	
	2006	2005
	\$	\$
Total Cash and Cash equivalents	<u>129,174</u>	<u>191,498</u>

The closing Cash at bank balance includes \$400,000 which is a part receipt of funding for the Freedomotor Acquisition completed January 1<sup>st</sup> 2007.

DIRECTORS' DECLARATION

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In the opinion of the directors of Optima Corporation Limited:

1. the financial statements and notes set out on pages 3 to 16 are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows for the financial period ended on that date; and
  - (b) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth, Western Australia, this 28<sup>th</sup> day of February 2007.

Signed in accordance with a resolution of the Directors:



**Blair Sergeant**  
*Managing Director*



Chartered Accountants  
& Business Advisers

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

As lead engagement partner for the review of Optima Corporation Limited for the half year ended 31 December 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 review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

**PKF**  
Chartered Accountants

**Ian Olson**  
Partner

Dated at Perth, Western Australia this 28<sup>th</sup> day of February 2007



Chartered Accountants  
& Business Advisers

## INDEPENDENT REVIEW REPORT

### TO THE MEMBERS OF OPTIMA CORPORATION LIMITED

#### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Optima Corporation Limited, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, notes to the financial statements, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2006 or from time to time during the half year ended on that date.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Optima Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Chartered Accountants  
& Business Advisers

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Optima Corporation Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

A handwritten signature in black ink that reads 'PKF'.

**PKF**  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Ian Olson'.

**Ian Olson**  
Partner

Dated at Perth, Western Australia this 28<sup>th</sup> day of February 2007