

 **OPTIMA**  
Corporation Limited  
ABN 36 098 455 460

---

**HALF-YEAR FINANCIAL REPORT**  
for the period ended 31 December 2004

## DIRECTORS' REPORT

---

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2004 and the auditor's review report thereon:

### 1. Directors

The directors of the Company during the half-year and up to the date of this report are:

Name	Period of directorship
Mr Blair Sergeant <i>Managing Director</i>	Director since 29 January 2004
Mr Jong Kan Foo <i>Non-Executive Director</i>	Director since 16 October 2001
Mr Anthony Ho <i>Non-Executive Director</i>	Director since 16 October 2001
Mr Robert Michael Lesher <i>Non-Executive Director</i>	Director since 13 July 2004
Dr Yung Kuan Foo <i>Non-Executive Director</i>	Director since 16 October 2001; resigned 2 August 2004.

---

### 2. Results

The loss of the consolidated entity for the half-year was \$1,378,540 (2003: \$205,515) after income tax of nil (2003: nil).

### 3. Review of Activities

The Company achieved many milestones during the half-year period which ultimately culminated in maiden sales being recorded in December 2004.

WEST as a surf brand was officially launched in the USA in September 2004, at the ASR Trade Show in San Diego, California, followed by Surf Expo in Orlando, Florida. A limited product range was introduced at the two September shows as the primary focus of our attendance at these shows was on building brand awareness rather than sales.

Other milestones achieved with the WEST brand included:

- ▲ Appointment of key staff in areas of sales, marketing, production and administration;
- ▲ Establishment of a warehouse facility in Oceanside, California;
- ▲ Implementation of a sophisticated inventory and sales management computer system capable of handling multiple brands in multiple locations;
- ▲ Appointment of a large team of sales representatives covering the majority of the key States; and
- ▲ Commencement of a number of marketing initiatives.

Optima also secured the exclusive USA distribution and intellectual property rights for well-known and respected surf accessories manufacturer, Creatures of Leisure ("Creatures") in August 2004.

The Creatures licence is in line with Optima's previously stated strategic objective of securing other surf brands that are complementary to Optima's existing licence with WEST so this event was seen as significant. The two brands are merchandised through similar distribution channels and complement each other strongly from a logistics, marketing and brand management perspective.

**DIRECTORS' REPORT**

---

The first two shipments of Creatures product arrived in California in late November, with maiden sales being achieved in December 2004.

Major milestones achieved with Creatures also included:

- ▲ The appointment of Damon George as brand manager; and
- ▲ The signing of USA based professional surfers Rob Machado, Chris Ward and Timmy Reyes.

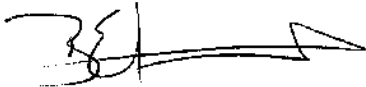
During the half-year, the Company raised \$1,486,450 through the exercise of options (expiring 31 December 2004).

**4. Auditor's independence declaration under Section 307C of the Corporations Act 2001**

The auditor's declaration is set out on page 11 and forms part of the directors' report for the half-year ended 31 December 2004.

Dated at Perth, Western Australia, this 28<sup>th</sup> day of February 2005

Signed in accordance with a resolution of the directors:



**Blair Sergeant**  
*Managing Director*

**CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

---

		Consolidated	
	Note	2004 \$	2003 \$
Revenue from sale of goods		71,039	17,588
Other revenue from ordinary activities		28,543	5,193
Total revenue		99,582	22,781
Cost of sales		(34,127)	(12,000)
Operating expenses		(848,498)	(62,722)
Marketing expenses		(541,357)	(39,174)
Occupancy expenses		(54,140)	(9,000)
Other expenses from ordinary activities		-	(105,400)
Loss from ordinary activities before income tax	2	(1,378,540)	(205,515)
Income tax expense relating to ordinary activities		-	-
<b>Net loss attributable to members</b>		<b>(1,378,540)</b>	<b>(205,515)</b>
Basic loss per share		(2.06) cents	(0.52) cents

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

These statements of financial performance are to be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2004**

	Note	Consolidated	
		31 December 2004 \$	30 June 2004 \$
<b>CURRENT ASSETS</b>			
Cash assets		1,401,848	1,910,695
Receivables		88,654	15,438
Inventories		605,742	-
Other		50,705	13,858
<b>Total Current Assets</b>		<b>2,146,949</b>	<b>1,939,991</b>
<b>NON CURRENT ASSETS</b>			
Receivables		1,055	-
Plant and equipment		244,623	34,834
<b>Total Non Current Assets</b>		<b>245,678</b>	<b>34,834</b>
<b>TOTAL ASSETS</b>		<b>2,392,627</b>	<b>1,974,825</b>
<b>CURRENT LIABILITIES</b>			
Payables		517,450	159,658
Provisions		4,201	2,100
<b>Total Current Liabilities</b>		<b>521,651</b>	<b>161,758</b>
<b>NON CURRENT LIABILITIES</b>			
Payables		-	50,000
<b>Total Non Current Liabilities</b>		<b>-</b>	<b>50,000</b>
<b>TOTAL LIABILITIES</b>		<b>521,651</b>	<b>211,758</b>
<b>NET ASSETS</b>		<b>1,870,976</b>	<b>1,763,067</b>
<b>EQUITY</b>			
Contributed equity	3	6,765,346	5,278,896
Accumulated losses		(4,894,370)	(3,515,829)
<b>TOTAL EQUITY</b>		<b>1,870,976</b>	<b>1,763,067</b>

These statements of financial position are to be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

	<b>Consolidated</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows used in operating activities</b>		
Cash receipts in the course of operations	15,901	14,148
Cash payments in the course of operations	(1,782,023)	(243,347)
Interest received	25,670	3,375
	<b>(1,740,452)</b>	<b>(225,824)</b>
<b>Cash flows used in investing activities</b>		
Payments for intellectual property rights	(50,000)	(50,000)
Cash acquired on acquisition of subsidiary	-	2,061
Loans to other entities	(1,055)	-
Payments for plant & equipment	(209,790)	-
	<b>(260,845)</b>	<b>(47,939)</b>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of options	1,492,450	-
Proceeds from issue of shares	-	600,000
Transaction costs from issue of shares	-	(7,500)
	<b>1,492,450</b>	<b>592,500</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(508,847)</b>	<b>318,737</b>
<b>Cash at the beginning of the financial period</b>	<b>1,910,695</b>	<b>212,670</b>
	<b>1,401,848</b>	<b>531,407</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

---

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation of half-year financial report**

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, Accounting Standard 1029 *Interim Financial Reporting*, the recognition and measurement requirements of applicable AASB standards and other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group consensus views. This half-year financial report is to be read in conjunction with the 2004 Annual Financial Report and any public announcements made by the Company during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2004 Annual Financial Report.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

**2. INDIVIDUALLY SIGNIFICANT ITEMS**

Individually significant items included in the loss from ordinary activities before income tax expense:

	<b>Consolidated</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Provision for doubtful loan	-	(63,841)
Optimoney Marketing rights written off	-	(41,559)
License fee written off	(100,000)	-
	<b>31 December 2004</b>	<b>30 June 2004</b>
	<b>\$</b>	<b>\$</b>

**3. CONTRIBUTED EQUITY**

**Issued and Paid-Up Capital**

73,099,251 (June 2004: 65,667,001) ordinary shares, fully paid	6,765,346	5,278,896
--	-----------	-----------

The following movements in share capital occurred during the period:

	<b>Number of Ordinary Fully Paid Shares</b>	<b>Issued Capital \$</b>
Balance 1 July 2004	65,667,001	5,278,896
Exercise of options	7,432,250	1,486,450
Balance 31 December 2004	73,099,251	6,765,346

**Options**

The following options to subscribe for ordinary fully paid shares were exercised during the half-year:

- 7,432,250 options exercisable at 20 cents each on or before 31 December 2004.

46,463,082 options exercisable at 20 cents each on or before 31 December 2004 lapsed during the half-year.

There were no options to subscribe for ordinary fully paid shares outstanding as at balance date.

**NOTES TO THE FINANCIAL STATEMENTS**

**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.

	Revenue		Loss	
	Dec 2004	Dec 2003	Dec 2004	Dec 2003
	\$	\$	\$	\$
Australia	38,793	22,781	(288,154)	(85,625)
USA	60,789	-	(1,090,386)	-
United Kingdom	-	-	-	(56,049)
Asia	-	-	-	(63,841)
	99,582	22,781	(1,378,540)	(205,515)

**6. ACQUISITION OF CONTROLLED ENTITY**

The following controlled entity was acquired during the period:

Name	Date Acquired	Consolidated Entity's Interest	Consideration	Contribution to Consolidated Net Loss
<b>2004</b>				
Creatures of Leisure (USA) Inc.	4 August 2004	100%	\$1,399	(\$108,287)
<b>2003</b>				
West Surfing Products (USA) Pty Ltd	24 December 2003	100%	\$362,500	(\$6,847)

**7. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

For reporting periods beginning on or after 1 January 2005, the Company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board (AASB).

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ending on 31 December 2004. AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' requires financial reports to disclose information about the impact of any changes in accounting policies in the transition period leading up to the adoption date.

As noted in the 30 June 2004 Annual Financial Report, the Company has allocated internal resources and in conjunction with its auditors is assessing those accounting policies and key areas that are likely to be impacted by the transition to IFRS. As Optima Corporation Limited ("Optima") has a 30 June year-end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Optima prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below, and as previously reported in Optima's 2004 annual report, are the key areas where accounting policies will change and may have an impact on the financial report of Optima. At this stage the Company has not been able to reliably quantify the impacts on the financial report.

NOTES TO THE FINANCIAL STATEMENTS

---

**7. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**AASB 112 – Income Taxes**

Under AASB 112 “Income Taxes”, a “balance sheet approach” will be adopted for calculating taxation, replacing the “statement of financial performance approach”. This method recognises deferred tax balances for all temporary differences arising between the carrying value of an asset or liability and its tax base. Whilst there will be enhanced disclosure of the composition of the deferred tax assets and liabilities it is not expected that there will be any significant impact in terms of the statements of financial position or performance.

**AASB 2 – Share based Payments**

The Company currently does not recognise an expense for options issued to directors and employees. Under AASB 2 “Share Based Payments”, the Company will be required to recognise an expense for all share based remuneration, including options, and will amortise those expenses over the relevant vesting periods.

**AASB 136 – Impairment of Assets**

Under AASB 136 “Impairment of Assets”, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the Company’s current accounting policy which determines recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that the impairment of assets will be recognised sooner and the amount of write downs will be greater.

DIRECTORS' DECLARATION

---

In the opinion of the directors of Optima Corporation Limited:

1. the financial statements and notes set out on pages 3 to 8 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 2004 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 1029 "Interim Financial Reporting"; 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 2005

Signed in accordance with a resolution of the Directors:



**Blair Sergeant**  
*Managing Director*



Chartered Accountants  
& Business Advisers

Level 7, BGC Centre  
28 The Esplanade  
Perth WA 6000  
PO Box Z5066  
St Georges Terrace  
PERTH WA 6831

## INDEPENDENT REVIEW REPORT

To the Members of Optima Corporation Limited

### Scope

Tel: (08) 9278 2222  
Fax: (08) 9278 2200  
www.pkf.com.au/wa

We have reviewed the financial report of Optima Corporation Limited for the half-year ended 31 December 2004. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities that it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standards AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than is given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### Statement

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:

- (a) The *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the company's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
  - (ii) Complying with the Accounting Standard AASB 1029: Interim Financial Reporting and the Corporation Regulations 2001; and
- (b) Other mandatory professional reporting requirements in Australia.

PKF  
Chartered Accountants

**IAN P OLSON**  
Partner

Dated at Perth this 28th day of February 2005



Chartered Accountants  
& Business Advisers

Level 7, BGC Centre  
28 The Esplanade  
Perth WA 6000  
PO Box Z5066  
St Georges Terrace  
PERTH WA 6831

Tel: (08) 9278 2222  
Fax: (08) 9278 2200  
[www.pkf.com.au/wa](http://www.pkf.com.au/wa)

### **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 2004, 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.

A handwritten signature in black ink, appearing to read 'Ian P Olson'. The signature is fluid and cursive, with a long horizontal stroke at the end.

**IAN P OLSON**  
Partner  
**PKF**  
Chartered Accountants

Dated at Perth this 28th day of February 2005