

RATTOON Holdings Limited

A.B.N. 16 076 611 268

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

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Chairman's Report

Over the past twelve months Rattoon Holdings Limited ("Rattoon") has undergone somewhat of a transformation. Whilst the financial results in 2005/06 do not reflect the benefits from these changes, the Company's recent announcements in regards its intention to become a major shareholder in Tattersalls Limited, should realise benefits for all shareholders.

Following shareholder approval obtained on September 28, 2006, Rattoon now owns approximately 7% of Tattersalls Limited. With the declared intentions of Tattersalls Limited and Unitab Limited to form a new consolidated group, Rattoon will be very well placed to take advantage of an expected upside in the Tattersalls Limited share price.

Should this scenario eventuate, the Company is then appropriately placed to leverage into opportunities to further enhance shareholder value. However, for the foreseeable future, it is proposed that Rattoon will be a single purpose vehicle investing in Tattersalls, but reserving the right to participate in opportunities in the gaming sector.

The original objective of Rattoon, upon its evolution out of Phoneware Limited, was to invest in unlisted and illiquid Australian entities. It has satisfied this objective by its investments in Tattersalls Limited and NSX Limited.

The financial results for 2005/06 are not representative of the potential Rattoon has and the Directors are fully committed to realising this potential for all shareholders.

I would like to acknowledge the contributions made by Hugh Henderson and Michael Naphtali who resigned from the Board during the past year. I would also like to thank my current Board colleagues - Hugh Robertson and Peter Landos, for their support, dedication and counsel.

Regards,

A handwritten signature in dark ink, appearing to read 'G. Cureton', written in a cursive style.

Graeme Cureton
Chairman

Corporate Governance

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

(i) Board of Directors

Rattoon Holdings Limited acknowledges that the Corporate Law clearly establishes that the Board is ultimately responsible for all matters relating to the running of Rattoon.

In general, the Board is responsible for and has the authority to determine all matters relating to the policies, practices, management and operations of the Company. The Board has the ultimate responsibility for the objectives and successful operations of the Company.

(ii) Statement of Compliance Philosophy

Rattoon Holdings Limited is a company of integrity and therefore will not breach the law or proper ethical standards. Accordingly, it is part of the philosophy of this company that it will at all times comply with the law (or particular laws) and will demonstrate ethical behaviour. We believe that ensuring everyone in our company complies with the law is simply a part of good management.

(iii) Composition of the Board

Since good governance principles require independence, transparency and flexibility, the Board acknowledges the importance of Board structure and, as a consequence, the Board seeks to use the following provisions as guidance when implementing an effective structure in the Company.

In accordance with the Constitution, the Board may comprise between three and fifteen individual Directors.

The Board shall contain a relevant blend of expertise in

- Accounting;
- Finance;
- Business; and,
- Legal skills

Directors are appointed under terms contained in the Constitution.

Subject to the number of Directors allowed under the Constitution, a Director may be appointed by an ordinary resolution of the Company at a General Meeting, while the Board may appoint additional Directors at any time. Such Directors shall only hold office until the next Annual General Meeting of the Company.

As contained in the Company's Constitution, the length of appointment for a Director is three years. To ensure a gradual and controlled movement of Directors, the longest serving of all Directors are expected to retire at each Annual General Meeting, but shall be eligible for re-election. However, in the interest of ensuring continual supply of new talent to the Board, Directors are only expected to serve for a maximum of three terms. The exception to this policy is a Chairman who is eligible to serve an additional term in that role.

(iv) Conflict of Interest and Related Third Party Transactions

Directors must:

- Disclose to the Board actual or potential conflicts of interest which may exist or might reasonably be thought to exist between the interests of the Director or the Directors personal interests and the interests of any other related parties in carrying out the activities of the Company; and

- At the request of the Board within seven days or such further period as may be allowed, take such steps as are necessary and reasonable to remove any conflict of interest referred to above.

If a Director cannot or is unwilling to remove a conflict of interest as required, then the Director must absent herself or himself from the room when discussing matters about which the conflict relates.

(v) Audit Committee

The Audit Committee is responsible for overseeing and appraising the quality of the external audit and the internal control procedures.

The Audit Committee will comprise at least one Independent Director who will chair the meetings. The Audit Committee will not contain any Executive Directors.

The Committee will meet with the external auditors at least once a year. Full details are provided in the committee's terms of reference.

(vi) Remuneration Committee

The Remuneration Committee will:

- Set policies for senior officers' remuneration;
- Set policies for Directors' remuneration; and
- Make specific recommendations to the Board on remuneration of Directors and senior officers;

The Remuneration Committee will comprise at least one Independent Director. It will not contain any Executive Directors. It will meet annually.

(vii) Compliance Committee

The Compliance Committee will be responsible for:

- Setting, reviewing and ratifying corporate compliance policies;
- Overseeing the implementation of a corporate compliance system;
- Referring to the Board, if necessary, any substantial or unusual decisions regarding compliance; and
- Reviewing the declaration from the Company Secretary on compliance and certifying that the Company is complying with its legal obligations.

The Compliance Committee will comprise at least one Independent Director. Additionally, the Company Secretary will be a member of the Committee. Any other Director is able to attend any meeting of the Compliance Committee.

(viii) Legal Compliance

The Compliance Committee is charged with implementing appropriate compliance systems within the organisation. In particular, the Company Secretary will oversee the Company's compliance system. The Company Secretary will work in conjunction with relevant parties to ensure all areas of compliance are covered within the Company.

(ix) Directors Remuneration

By serving on the Board of a limited company, the Directors of a corporation assume a significant responsibility. The Company may offer its non-employee Directors a competitive compensation package, which may include a retainer, meeting fees, liability insurance at the Board's discretion, business travel, accident insurance, and a restricted stock plan. The package will be recommended each year by the remuneration committee, for adoption by the Board. At the present time all Directors have determined to forego Directors fees and benefits.

Directors' Report

The Board of Directors of Rattoon Holdings Limited (the "Company") present the following report for the year ended 30 June 2006 accompanied by the Financial Statements of the Company for the year ended 30 June 2006.

The Directors' Report, Financial Statements, Directors Declaration, Independent Audit Report and Corporate Governance Statement have, to the extent possible, been prepared in accordance with the requirements of the Corporations Act 2001 and the Listing Rules of the NSX.

1. Directors

The names of the Directors in office at any time during or since the end of the financial year are:

Hugh Henderson (resigned 11 May 2006)

Hugh Robertson

Peter Landos (appointed 11 May 2006)

Michael Naphtali (resigned 11 May 2006)

Graeme Cureton

2. Principal Activities

The Company's principal activity is investing in and managing investments in large private and listed Australian entities.

3. Review and Results of Operations

The Company has reported a net loss attributable to shareholders of (\$203,630) for the twelve months ending 30 June 2006.

4. Trading Result

The profit after tax of the Company for the year was:

	2006	2005
	\$	\$
Profit (Loss) from Ordinary Activities after Income Tax	<u>(203,630)</u>	<u>751,154</u>
Net Profit (Loss) Attributable to Shareholders of the Company	<u>(203,630)</u>	<u>751,154</u>

5. Dividends

No dividends were paid during the year and no dividend will be declared for the year.

6. Investments

The Financial Statements accompanying this report have been prepared for the first time under the new AIFRS guidelines. Under AIFRS, assets must be shown at fair value – commonly construed as market value. Rattoon's two major investment assets – shares in Tattersalls Limited and NSX Limited – are impacted by AIFRS in the following manner;

	FAIR VALUE (AIFRS)	COST
Tattersalls Limited	\$17,192,536	\$18,854,603
NSX Limited	\$480,000	\$400,000

7. Significant Change in State Affairs

The following significant changes to the state of affairs of the Company occurred during the financial year:

- On 21 October 2005 a General Meeting of Shareholders approved a buy-back of ordinary shares on the basis that 12 ordinary shares would be bought back in consideration of 1 ordinary share in Tattersalls Limited. Under this buy-back, the Company bought back 6,807,187 shares at a cost of \$1,883,073.

8. Events Subsequent to Balance Date

At a General Meeting of Shareholders held on September 28, 2006 it was resolved that;

- (a) Rattoon acquires 21,750,000 shares in Tattersalls Limited from GPG Australia Nominees Limited, payment for which will be \$10,123,180 plus 216,481,366 ordinary shares in Rattoon.
- (b) Rattoon acquires 21,750,000 shares in Tattersalls Limited from interests associated with the Thorney Investment Group, payment for which will be \$10,123,180 plus 216,481,366 ordinary shares in Rattoon.
- (c) Rattoon issues 29,695,620 ordinary shares in Rattoon for subscriptions of \$8,000,000 from professional and sophisticated investors.

There have been no other events that have arisen in the interval between the end of the financial year and the date of this report, or any matter or circumstance, that in the opinion of the Director's of the Company has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

9. Likely Developments

Likely developments in the operations of the Company known at the date of this report have been covered generally within this report. Further information as to likely developments in the operation of the Company, including the expected results of those operations in subsequent financial years would, in the opinion of the Directors, prejudice the interests of the Company and has therefore not been included in this report.

10. Performance in Relation to Environmental Regulation

The Company's operations are not regulated by any significant environmental regulation under a Law of the Commonwealth, or of a State or Territory, and accordingly no environmental disclosure is required.

11. Information on Directors

As at the date of this report, the names, particulars of the qualifications, experience and special responsibilities of each Director are:

Graeme Cureton (62)

Chairman

Appointed – 4 April 2005

Experience and Expertise

Graeme is an Executive Director with the Guinness Peat Group and has substantial experience in the financial and commercial sectors.

Other Current Listed Company Directorships

Executive Director, Guinness Peat Group Plc
Director, Capral Aluminium Limited
Director, Greens Foods Limited
Director, Australian Wealth Management Limited
Alternate Director, Director, CPI Group Limited
Alternate Director, Tooth & Co Limited

Former Listed Directorships (in last 3 years)

Director, CPI Group Limited

Special Responsibilities

Chair of the Corporate Governance Committee
Chair of the Remuneration Committee
Member of the Audit Committee

Interests in Shares and Options

200,000 Ordinary Shares in Rattoon Holdings Limited

Hugh Robertson (45)

Non-Executive Director

Appointed – 1 July 2003

Experience and Expertise

Hugh has had over 20 years experience in the Stockbroking and Investment Industry.

Other Current Listed Company Directorships

Director, Wentworth Holdings Limited
Director, Catalyst Recruitment Systems Limited
Director, NSX Limited

Former Listed Directorships (in last 3 years)

Director, OAMPS Limited

Special Responsibilities

Chair of the Audit Committee
Member of the Remuneration Committee
Member of the Corporate Governance Committee

Interests in Shares and Options

950,351 Ordinary Shares in Rattoon Holdings Limited

Peter Landos (35)

Non-Executive Director

Appointed – 11 May 2006

Experience and Expertise

Peter is a qualified Accountant and is an Investment Manager with the Thorney Investment Group. Peter has substantial investment and commercial experience.

Other Current Listed Company Directorships

Alternate Director, Adacel Technologies Limited
Alternate Director, McPhersons Limited

Former Listed Directorships (in last 3 years)

None

Special Responsibilities

Member of the Audit Committee
Member of the Remuneration Committee
Member of the Corporate Governance Committee

Interests in Shares and Options

Nil

12. Meetings of Directors

The number of meetings of Directors held (or deemed to be held pursuant to the Constitution), including meetings of Committees of Directors, during the year including their attendance was as follows:

Director	Board Meetings		Audit Committee		Remuneration Committee		Corporate Governance Committee	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
H Henderson ¹	10	10	2	2	-	-	-	-
M Naphtali ²	10	9	-	-	-	-	-	-
H Robertson	11	8	-	-	1	1	1	1
G Cureton	11	8	2	2	1	1	1	1
P Landos ³	2	2	-	-	1	1	1	1

(A) Number of meetings held while in office

(B) Number of meetings attended

¹ Resigned as Chairman and Director of Rattoon Holdings Ltd on 11 May 2006.

² Resigned as Director of Rattoon Holdings Ltd on 11 May 2006.

³ Appointed as Non-Executive Director of Rattoon Holdings Ltd on 11 May 2006.

13. Remuneration Report

The remuneration report is set out under the following main headings:

- a) Remuneration policy
- b) Detail of Directors and Senior Executives Remuneration
- c) Service Agreements
- d) Share Based Remuneration

a) Remuneration Policy

The Company's broad policy for the management of emoluments of Board members and Senior Executives is as follows:

Non-Executive Directors

The Company's Constitution provides that the Board will determine the total remuneration paid to Directors for their services as Directors in respect of each year and its distribution amongst them, provided that the total amount does not exceed the maximum amount approved from time to time by shareholders in a general meeting.

The level of fees and salaries of companies of a similar size to Rattoon Holdings Limited in the market place are taken into account when setting remuneration packages for non-executive Directors. Mr M Naphtali, Mr H Robertson, Mr G Cureton and Mr P Landos elected not to receive Directors fees during the year.

The Company may also pay the Directors' travelling and other expenses that they properly incurred in attending Directors' meetings or any meetings of committees of Directors, in attending any general meetings of the Company, and in connection with the Company's business.

In addition, any Director who being willing is called on to perform extra services or to make any special exertions or to undertake any executive or other work for the Company beyond his or her ordinary duties may be remunerated either by a fixed sum or a salary as determined by the Directors.

Senior Executives

In determining the remuneration of Senior Executives, consideration is given to the nature and level of responsibility and performance of the Senior Executives and market competitive remuneration rates. To assist in this process, where necessary the Company obtains input from external specialist remuneration advisors and participates in comprehensive external executive reward surveys.

b) Detail of Directors and Senior Executives Remuneration

The Directors of Rattoon Holdings Limited and their remuneration for the year ended 30 June 2006 are detailed below.

Emoluments of Directors and Senior Executives during the financial year ended 30 June 2006 were determined by the Remuneration Committee (refer Main Corporate Governance Statement for further details). In this respect, consideration was given to normal commercial rates of remuneration for similar levels of responsibility. Emoluments comprised fixed salaries. There are no unexpired periods of service contracts relating to the appointment of the Directors.

Details of Remuneration

Details of remuneration of each Key Management Personnel of Rattoon Holdings Limited, including their personally-related entities, are set out in the following tables. All elements of remuneration are not directly related to performance.

Directors of Rattoon Holdings Limited

2006	Primary			Post-Employment		Equity	
Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$	Options \$	Total \$
Mr G Cureton	-	-	-	-	-	-	-
Mr H Henderson	41,250	-	-	4,050	-	-	45,300
Mr M Naphtali	-	-	-	-	-	-	-
Mr H Robertson	-	-	-	-	-	-	-
Mr P Landos	-	-	-	-	-	-	-
Total	41,250	-	-	4,050	-	-	-

Executives of Rattoon Holdings Limited

2006	Primary			Post-Employment		Equity	
Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$	Options \$	Total \$
Mr K Stonehouse (appointed 18 November 2005)	-	-	-	-	-	-	-
Mr M Jackson (resigned 18 November 2005)	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

For the year ended 30 June 2006, the Company did not employ any executives within the business. Messer's Stonehouse and Jackson were the executives with the greatest authority for the strategic direction and management of the Company ("Specified Executive") during the financial year.

c) Service Agreements

Remuneration and other terms of employment for the Chairman and other non-executive Directors are not formalised in service agreements.

Messer's Stonehouse and Jackson performed duties as Financial Controller/Company Secretary under an agreement the Company entered into with Hindal Securities Pty Ltd to provide accounting, administrative and company secretarial support to the Company. This agreement is for no fixed term and may be terminated by Rattoon Holdings Limited with one months notice. Under this agreement, Hindal provides accounting, secretarial and administrative support to the Company for \$6,500 per month (plus GST). This agreement was in place for all of the 2006 financial year.

d) Share Based Remuneration

The Company did not remunerate any Directors or Specified Executives with options or shares during the financial year ended 30 June 2006.

14. Directors' Shareholdings

The relevant interests of each Director in the number of ordinary shares of the Company or any Related Body Corporate at the date of this report are:

	Beneficial Interest	Non-Beneficial Interest	Options
H Robertson	950,351	-	-
G Cureton	200,000	100,000	-
P Landos	-	-	-

The Directors have no rights to subscribe for equity of debt securities that may be issued by the Company.

Refer to Note 20 for details of the option plans and Note 19 for details on related party transactions.

15. Indemnification of Officers and Auditors

Subsequent to June 30 2006, the Company paid a premium to insure Directors listed in this report and senior executives against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity for the Company. The terms of the policy prohibit disclosure of the premium paid.

The Auditors of this report have not been indemnified by the Company.

16. Shareholder Details

In accordance with NSX Listing Rules requirements, the top 10 shareholders of the Company as at August 31 2006 are as follows:

	Shareholder Name	Number of Shares	% of Shares Issued
1	Bell Potter Nominees	8,626,592	22.49
2	Fadmoor Pty Ltd	4,719,456	12.30
3	Invia Custodian Pty Ltd	4,447,814	11.60
4	River Capital Pty Ltd	2,156,028	5.62
5	Invia Custodian Pty Ltd	1,849,611	4.82
6	Invia Custodian Pty Ltd	1,233,074	3.21
7	Bungeeltap Pty Ltd	950,351	2.48
8	Simon Anthony Yencken	820,000	2.14
9	Transcontinental Asset Management	800,000	2.09
10	Management UBS Wealth	800,000	2.09
11	Sandhurst Trustees Ltd	800,000	2.09

Details of the Company's distribution of equity holders are contained at the end of the annual report.

Signed in accordance with a resolution of the Board of Directors at Melbourne this 28th day of September 2006.



Graeme Cureton
Chairman



Horwath Melbourne
Chartered Accountants
The Rialto, 525 Collins Street Melbourne 3000
GPO Box 4736 Melbourne 3001
Victoria Australia
Tel 03 8320 2222
Fax 03 8320 2200

28th September 2006

The Board of Directors
Rattoon Holdings Limited
Level 10, 350 Collins Street
MELBOURNE VIC 3000

Auditor's Independence Declaration

This declaration is made in connection with my audit of the financial report of Rattoon Holdings Limited for the year ended 30 June 2006 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this audit;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this audit.

HORWATH MELBOURNE

A handwritten signature in black ink, appearing to read "N. Burne", written over a light grey rectangular background.

NICHOLAS E. BURNE
Partner

Income Statement

For the year ended 30 June 2006

		2006	2005
	Note	\$	\$
Revenue from continuing operations	3 (i)	707,578	1,771,224
Employee and sub-contractor costs	3 (ii)	(120,100)	(126,375)
Professional fees		(42,759)	(647,050)
Accounting fees		(14,008)	(29,545)
Auditors remuneration	13	(26,284)	(31,489)
Insurance		-	(67,975)
Other expenses	3 (iii)	(29,096)	(61,663)
Total Expenses from continuing operations, excluding finance costs		(232,247)	(964,097)
Profit from continuing operations before tax and finance costs		475,331	807,127
Finance costs		(678,961)	(55,973)
Profit (Loss) from continuing operations before income tax		(203,630)	751,154
Income tax expense	4	-	-
Profit (Loss) after tax from continuing operations		(203,630)	751,154
Profit after tax from discontinued operations		-	-
Net profit (loss) for the year		(203,630)	751,154
Profit attributable to minority interest		-	-
Profit (Loss) attributable to members of Rattoon Holdings Limited		(203,630)	751,154

Earnings per share (cents per share)

Basic earnings per share – Net profit (loss) for the year	14	(0.49)	1.89
Diluted earnings per share – Net profit (loss) for the year	14	(0.49)	1.89

Balance Sheet

As at 30 June 2006

	Note	2006 \$	2005 \$
Current assets			
Cash and cash equivalents	5	925,843	1,011,742
Trade and other receivables	6	35,456	416,291
Total current assets		961,299	1,428,033
Non current assets			
Available-for-sale financial assets	7	17,672,536	21,019,906
Total non-current assets		17,672,536	21,019,906
Total assets		18,633,835	22,447,939
Current liabilities			
Trade and other payables	8	42,919	159,592
Interest-bearing liabilities	9	10,000,000	10,017,461
Total current liabilities		10,042,919	10,177,053
Total liabilities		10,042,919	10,177,053
Net assets		8,590,916	12,270,886
Shareholders' equity			
Issued capital	11	33,605,495	35,488,568
Reserves	11	(1,582,067)	11,200
Accumulated losses		(23,432,512)	(23,228,882)
Total shareholders' equity		8,590,916	12,270,886

Cash Flow Statement

For the year ended 30 June 2006

		2006	2005
		\$	\$
	Note	Inflows / (Outflows)	Inflows / (Outflows)
Cash flows from operating activities			
Interest received		45,154	39,944
Dividends received		533,456	-
Distributions received		201,975	1,654,849
Payments to suppliers and employees		(293,877)	(835,825)
Finance costs paid		(2,135)	-
Net cash provided by operating activities	15 (ii)	484,573	858,968
Cash flows from investing activities			
Proceeds from available-for-sale financial assets		-	200,247
Purchase of available-for-sale financial assets		-	(13,410,370)
Repayment of loan funds		-	153,754
Net cash used in investing activities		-	(13,056,369)
Cash flows from financing activities			
Proceeds from issue of shares		-	2,968,762
Share issue transaction costs		-	(276,620)
Proceeds from borrowings		-	10,000,000
Finance costs paid		(553,011)	(212,468)
Net cash (used in)/provided by financing activities		(553,011)	12,479,674
Net increase (decrease) in cash and cash equivalents		(68,438)	282,273
Cash and cash equivalents at the beginning of the financial year		994,281	712,008
Cash and cash equivalents at the end of the financial year	15 (ii)	925,843	994,281

Statement of Changes in Equity

For the year ended 30 June 2006

	Note	Contributed Equity	Available for Sale Financial Assets Reserve	Accumulated Losses	Total
		\$	\$	\$	\$
At 1 July 2004		32,796,426	-	(23,980,036)	8,816,390
Revaluation increment on available-for-sale financial assets		-	11,200	-	11,200
Net income recognised directly in equity		-	11,200	-	11,200
Profit (Loss) for the year		-	-	751,154	751,154
Total recognised income and expense for the year		-	11,200	751,154	762,354
Issue of share capital		2,692,142	-	-	2,692,142
At 30 June 2005		35,488,568	11,200	(23,228,882)	12,270,886
Revaluation decrement on available-for-sale financial assets		-	(1,593,267)	-	(1,593,267)
Net income recognised directly in equity		-	(1,593,267)	-	(1,593,267)
Profit (Loss) for the year		-	-	(203,630)	(203,630)
Total recognised income and expense for the year		-	(1,593,267)	(203,630)	(1,796,897)
Share buy back	11	(1,883,073)	-	-	(1,883,073)
At 30 June 2006		33,605,495	(1,582,067)	(23,432,512)	8,590,916

Notes to the Financial Statements

For the year ended 30 June 2006

1. Corporate Information

The financial report of Rattoon Holdings Limited for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the Directors on 28th September 2006. Rattoon Holdings Limited is a company limited by shares incorporated in Australia whose shares are traded on the Newcastle Stock Exchange.

Rattoon Holdings Limited (the "Company") is an investment company and the principal activity is investing in listed and unlisted Australian companies and managing these investments through to exit. In targeting investment opportunities, the Company seeks investments that provide a stable income stream and long-term capital growth.

2. Statement of Significant Accounting Policies

a) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Australian Accounting Standards and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on historical cost, except for available for sale financial assets that have been measured at fair value.

The financial report is presented in Australian dollars.

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

b) Statement of Compliance

The financial report complies with Australian Accounting Standards that include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and the 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 and at transition to AIFRS are detailed in note 20.

c) Recoverable Amounts of Assets

At each reporting date the Company assesses whether there is any indication that an asset may be impaired. Where an indication of impairment exists, the Company makes a formal estimate of the 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.

Notes to the Financial Statements (continued)

d) 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 probably 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 probably 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.

e) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Notes to the Financial Statements (continued)

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

f) 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.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

g) Trade and Other Receivables

Trade receivables 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.

h) Investments

(i) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. Gains or losses arising from changes in fair value are recognised directly in equity.

At each reporting date the Company assesses whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognised at fair value excluding any transaction costs that are directly attributable to the acquisition of the asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value with gains or losses arising from changes in fair value recognised in the income statement.

i) Revenue Recognition

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

Notes to the Financial Statements (continued)

(i) *Dividend, Distribution and Interest Income*

Dividend and distribution revenue is recognised when the right to receive payment is established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield basis.

(ii) *Sales of Investments*

Sales of investments are recognised when the contract for sale has been completed.

All revenue is stated net of GST.

j) **Interest-Bearing Loans and Borrowings**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction 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.

k) **Accounts Payable**

Accounts Payable represents the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

l) **Net Working Capital Deficiency**

Notwithstanding the deficiency in net working capital, the financial report has been prepared on a going concern basis as the Directors believe that the Company will be able to generate sufficient cash flows to satisfy its debts as and when they fall due and that the bank bills which are disclosed as a current liability will continue to be made available to the Company as the Company's major asset is capable of being traded at any given time.

3. Revenues and Expenses

	Note	2006 \$	2005 \$
(i) Revenue from Continuing Operations			
• dividends received or receivable		533,456	1,631,032
• interest received or receivable		45,154	39,945
• profit on sale of available-for-sale investments		128,968	100,247
		707,578	1,771,224
(ii) Employee and sub-contractor costs			
• sub-contractor costs		74,800	52,800
• Directors fees (including superannuation)		45,300	73,575
		120,100	126,375

Notes to the Financial Statements (continued)

	Note	2006 \$	2005 \$
(iii) Other expenses:			
• share registry		4,032	21,127
• printing and postage		7,190	19,231
• filing fees		11,340	14,288
• other expenses		6,534	7,017
		29,096	61,663

4. Income Tax Expense

	2006 \$	2005 \$
The income tax expense for the financial year differs from the amount calculated on the profit (loss). The differences are reconciled as follows:		
Profit (Loss) from continuing operations before income tax expense	(203,630)	751,154
Income tax at 30% (2005: 30%)	(61,089)	225,346
Imputation credits attached to dividends	68,587	187,855
	7,498	413,201
Prior year tax losses not recognised now recouped	(44,860)	(365,202)
Temporary differences not recognised	37,362	(47,999)
Income Tax Expense	-	-
Deferred tax asset not brought to account, the benefits of which will only be realised if the conditions for deductibility are met:		
Imputation credits available	854,907	626,283
Unused tax losses	576,861	393,097

5. Cash and Cash Equivalents

	Note	2006 \$	2005 \$
Cash at bank		1,511	11,742
Deposits at call		924,332	1,000,000
	15 (ii)	925,843	1,011,742

Interest is receivable on cash at bank and deposits at call at prevailing rates, which averaged 4.98% at year end.

Notes to the Financial Statements (continued)

6. Trade and Other Receivables

	2006	2005
	\$	\$
Dividends receivable	-	201,975
Other receivables	35,456	214,316
	35,456	416,291

7. Available-For-Sale Financial Assets

	2006	2005
Note	\$	\$
Non-current		
Investments in listed corporations		
• at fair value – shares in Tattersalls Limited	17,192,536	-
• at fair value – shares in NSX Limited	480,000	411,200
Investments in non-listed corporations		
• at fair value – shares in Tattersalls Limited	-	20,608,706
(Tattersalls Limited listed on the ASX on July 7, 2005)		
	17,672,536	21,019,906

8. Trade and Other Payables

	2006	2005
	\$	\$
Current		
Trade payables	39,565	93,269
Other payables and accruals	3,354	66,323
	42,919	159,592

9. Interest Bearing Liabilities

	2006	2005
Note	\$	\$
Current		
Unsecured Liabilities		
Bank overdraft	15 (ii)	-
		17,461
Secured Liabilities		
Bank Bills	10,000,000	10,000,000
	10,000,000	10,017,461

The bank bill is a floating rate bill facility provided by the National Australia Bank Limited.

Notes to the Financial Statements (continued)

The expiry date of the facility is September 30, 2006 with repayments during the term being interest only. The facility is provided on a secured basis with the security comprising first-ranking Registered Mortgage Debenture (RMD) over the whole of the Company's assets. The facility is subject to a number of covenants including, but not limited to, interest cover ratio and gearing ratios.

The carrying amount of non-current assets pledged as security are:

Registered mortgage	17,672,536	21,019,906
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10. Segment Information

During the year ended 30 June 2006 the Company operated in a single segment being investment in Australian entities, solely within Australia.

11. Issued Capital and Reserves

	Note	2006 \$	2005 \$
Shares:			
Ordinary shares \$			
At the beginning of the reporting period		35,488,568	32,796,426
Shares issued during the year	11 (i)	-	2,692,142
Shares bought back during the year	11 (ii)	(1,883,073)	-
Cost of raising equity		-	-
At reporting date		33,605,495	35,488,568
Ordinary shares – number			
At the beginning of the reporting period		45,162,380	39,179,847
Shares issued during the year	11 (i)	-	5,982,533
Shares bought back during the year	11 (ii)	(6,807,187)	-
At reporting date		38,355,193	45,162,380

(i) Issue of Shares During the Year

No new issue of shares occurred during the financial year.

(ii) Share Consolidation

On 21 October 2005 a General Meeting of Shareholders approved a buy-back of ordinary shares on the basis that 12 ordinary shares would be bought back in consideration of 1 ordinary share in Tattersalls Limited. Under this buy-back Rattoon Holdings Limited bought back 6,807,187 shares at a cost of \$1,883,073. As this transaction was a share for share exchange, it is not reflected in the Cash Flow Statement.

Notes to the Financial Statements (continued)

Share Options:

At balance date, the following options were in existence:

Option Holder	Note	Issue Date	No. of Options	Exercise Price \$	Expiry Date
Former Executive Director		19/06/01	1,200,000	50.00	30/04/07
Other Options	(iii)	19/06/01	7,300,000	35.00	Various
Former Executive Director		29/11/01	1,200,000	25.00	30/04/07
Total unquoted options on issue			9,700,000		

(iii) Various

3.3 million options expire in 3 years from the date the barrier price of \$50.00 is reached.
4.0 million options expire 3 years from the date the barrier price of \$75.00 is reached.

Reserves:

Available-For-Sale Financial Assets Reserve

This reserve records movements for available-for-sale financial assets to fair value.

12. Dividends

	2006 \$	2005 \$
Dividends paid during the year	-	-
Balance of franking account at year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.	854,907	626,283

13. Auditors' Remuneration

	2006 \$	2005 \$
Remuneration of the auditor of the Company for:		
• audit and review of the financial reports#	25,850	19,489
• tax and accounting services**	434	12,000
	26,284	31,489

Fees paid to Horwath Melbourne

** Fees paid to Horwath (Vic) Pty Ltd

Notes to the Financial Statements (continued)

14. Earnings Per Share

	2006	2005
	\$	\$
The following reflects the income and share information used in the calculations of basic and diluted earnings per share from continuing operations:		
Net Profit (Loss)	(203,630)	751,154
Earnings used in calculating basic and diluted earnings per share	(203,630)	751,154
	2006	2005
	cents	cents
Basic earnings per share (cents)	(0.49)	1.89
Diluted earnings per share (cents)	(0.49)	1.89
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	41,208,617	39,564,220
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	41,208,617	39,564,220

15. Cash Flow

(i) Cash policy

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

(ii) Reconciliation of cash

	2006	2005
	\$	\$
Cash at bank	925,843	1,011,742
Bank overdraft	-	(17,461)
	925,843	994,281
Profit (Loss) from continuing activities after income tax	(203,630)	751,154
Less Investing Activities:		
Profit from sale of available-for-sale financial assets	(128,968)	(100,247)
Plus Financing Activities:		
Finance costs paid	553,011	212,468
Net cash provided by operating activities before change in other assets and liabilities	220,413	863,375
Decrease (Increase) in other assets	124,840	(105,846)
Decrease (Increase) in receivables	255,995	(30,205)
Increase (Decrease) in accounts payable	(116,674)	131,644
Net cash provided by operating activities	484,573	858,968

Notes to the Financial Statements (continued)

16. Related Party Transactions

During the year the following transactions took place with related parties:

Key Management Personnel Related Entities

Michael Naphtali is Chairman of Hindal Securities Pty Ltd. Under an agreement between the Company and Hindal Securities Pty Ltd ("Hindal"), Hindal provided accounting, administrative, corporate advisory and company secretarial services during the year for fees totalling \$74,800 (2005: \$194,813). These fees were on normal commercial terms.

Hugh Robertson is a Director of NSX Limited. Under an agreement between the Company and NSX Limited ("NSX"), NSX provided stock exchange services to the Company during the year for fees totalling \$8,663 (2005: \$10,455). These fees were on normal commercial terms.

The Company has indemnified each current Director and the Company Secretary against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position with the company except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate that the Company will meet the full amount of any such liabilities, including cost and expenses.

Apart from the details disclosed in this note, no Key Management Personnel has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Key Management Personnel interests existing at year-end.

Shares and Option Transactions with Directors as at Balance Date:

	Shares	Options	Shares	Options
	2006	2006	2005	2005
Shares acquired by Directors and their related entities	-	-	-	-
Aggregate number of shares and share options held by current Directors and their related entities in Rattoon Holdings Limited at balance date.	1,250,351	-	1,887,836	-

17. Employee and Director Share Plan

(i) Staff Option Plan No. 2

Any person who is a permanent full or part-time employee or Executive Director of the Parent Entity or any Subsidiary is eligible to participate in the scheme. The Directors determine the terms and conditions applicable to the issue of any options under this scheme subject to requirements that any options issued must be exercisable with a maximum period of 5 years from the date of issue and that the exercise price of options must not be less than the market value of a share on the date of the offer of the option to an eligible person and 20 cents per share. No options can be granted under this scheme if, after the grant of the options the number of all current unexercised options would exceed 7.5% of the total number of shares in the capital of the Company on issue at that time.

As at 30 June 2006, the Company did not employ any permanent staff.

Notes to the Financial Statements (continued)

	Note	2006	2005
Employee Options in existence at beginning of period		500,000	1,250,000
Lapsed under the scheme		(500,000)	(750,000)
Employee Options in existence at end of period		-	500,000

(ii) Non-Executive Director Options

No options have been issued to Non-Executive Directors other than as outlined in Note 19.

(iii) Executive Director Options

No options have been issued to Directors other than as outlined in Note 19. As at 30 June 2006, the Company did not have any Executive Directors.

18. Financial Instruments

(i) Interest Risk Exposure

The Company manages its exposure to interest rate fluctuations through policies and procedures approved by the Board of Directors.

The Company does not engage in any significant transactions, which are speculative in nature.

Exposures to interest rate risks on financial assets and liabilities are summarised as follows:

2006	Non-Interest Bearing	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Floating Interest Rate	Total
	\$	\$	\$	\$	\$	\$
Financial Assets:						
Cash	-	-	-	-	925,843	925,843
Investments	17,672,536	-	-	-	-	17,672,536
	17,672,536	-	-	-	925,843	18,598,379
<i>Effective Interest Rates</i>	-	-	-	-	4.98%	-
Financial Liabilities:						
Unsecured Liabilities	(42,919)	-	-	-	-	(42,919)
Borrowings	-	(10,000,000)	-	-	-	(10,000,000)
	(42,919)	(10,000,000)	-	-	-	(10,042,919)
<i>Effective Interest Rates</i>	-	6.90%	-	-	-	-
Net Financial Assets	17,629,617	(10,000,000)	-	-	925,843	8,555,460

Notes to the Financial Statements (continued)

2005	Non-Interest Bearing	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Floating Interest Rate	Total
	\$	\$	\$	\$	\$	\$
Financial Assets:						
Cash	-	-	-	-	1,011,742	1,011,742
Receivables	255,995	-	-	-	-	255,995
Investments	21,019,906	-	-	-	-	21,019,906
	21,275,901	-	-	-	1,011,742	22,287,643
<i>Effective Interest Rates</i>	-	-	-	-	4.75%	-
Financial Liabilities:						
Unsecured Liabilities	(159,592)	-	-	-	-	(159,592)
Unsecured bank overdraft	-	-	-	-	(17,461)	(17,461)
Borrowings	-	(10,000,000)	-	-	-	(10,000,000)
	(159,592)	(10,000,000)	-	-	(17,461)	(10,177,053)
<i>Effective Interest Rates</i>	-	6.5%	-	-	5.25%	-
Net Financial Assets	21,116,309	(10,000,000)	-	-	994,281	12,110,590

(ii) Credit Risk Exposure

The Company had no significant concentrations of credit risk with any single counterparty or group of counterparties.

19. Key Management Personnel Disclosures

Directors

The following persons were Directors of Rattoon Holdings Limited during the financial year:

Chairman – Non-Executive

Mr G Cureton (Non-Executive Director appointed Chairman 11 May 2006)
Mr H Henderson (resigned 11 May 2006)

Non-Executive Directors

Mr H Robertson
Mr P Landos (appointed 11 May 2006)
Mr M Naphtali (resigned 11 May 2006)

Notes to the Financial Statements (continued)**Executives (other than Directors) with the greatest authority for strategic direction and management**

The following persons were the Executives with the greatest authority for the strategic direction and management of the Company during the financial year:

Name	Position
Mr K Stonehouse (appointed 18 November 2005)	Financial Controller/Company Secretary
Mr M Jackson (resigned 18 November 2005)	Financial Controller/Company Secretary

The above Executives were also Key Management Personnel during the year ended 30 June 2006.

Remuneration of Key Management Personnel

	2006	2005
	\$	\$
Short-term employee benefits	41,250	70,538
Post-employment benefits	4,050	3,038
Share-based payments	-	-
	45,300	73,576

In accordance with Corporations Amendment Regulations 2006 (No. 4), information regarding the remuneration of Directors and Specified Executives that is required by AASB 124 *Related Party Disclosures* has been included in the Directors Report of this Annual Report.

Equity instrument disclosures relating to Key Management Personnel***Options provided as remuneration***

No options were granted or vested during the year.

Shares provided on exercise of remuneration options

No remuneration options were exercised during the year.

Option holdings

No Key Management Personnel of the Company held options in the Company during the financial year.

Share holdings

The numbers of shares in the Company held during the year by each Key Management Personnel, including their personally-related entities, are set out below:

Notes to the Financial Statements (continued)

2006

	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors				
Mr H Henderson ¹	8,570	-	-	8,570
Mr M Naphtali ¹	628,915	-	-	628,915
Mr H Robertson	950,351	-	-	950,351
Mr G Cureton	300,000	-	-	300,000
Mr P Landos ²	-	-	-	-

¹ H Henderson and M Naphtali resigned 11 May 2006

² P Landos appointed 11 May 2006

Executives

Mr K Stonehouse ³	3,250	-	(3,250)	-
Mr M Jackson ⁴	-	-	-	-

³ K Stonehouse appointed 18 November 2005

⁴ M Jackson resigned 18 November 2005

2005

	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors				
Mr G Moffatt ⁵	4,000,000	-	(2,000,000)	2,000,000
Mr H Henderson	8,570	-	-	8,570
Mr M Naphtali	228,350	-	400,565	628,915
Mr H Robertson	920,351	-	30,000	950,351
Mr G Cureton	-	-	300,000	300,000

⁵ G Moffatt resigned 31 March 2005

Executives

Mr M Jackson	79	-	(79)	-
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Loans to Key Management Personnel

There were no loans made to the Key Management Personnel of the Company at any stage during the financial year.

Notes to the Financial Statements (continued)

20. Impact of Adoption of AIFRS

The impact 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

	2005	2004
	\$	\$
Total equity under previous AGAAP	12,259,686	8,816,390
<i>Adjustments to other reserves (net of tax):</i>		
Changes in valuation of financial assets (A)	11,200	-
Total equity under AIFRS	12,270,886	8,816,390

(A) Financial assets that are classified as available-for-sale under AASB 139 'Financial Instruments: Recognition and Measurement' are carried at their fair value. They were carried at cost under previous AGAAP. This has resulted in an increase to total equity.

(B) The above changes resulted in no increase in deferred tax liability.

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

There is no difference between the profit before tax presented under AIFRS and the profit before tax presented under previous AGAAP.

Explanation of material adjustments to cash flow statements

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

21. Contingent Liabilities

There are no known contingent liabilities as at reporting date.

22. Events Subsequent to Balance Date

At a General Meeting of Shareholders held on September 28, 2006 it was resolved that;

- (a) Rattoon acquires 21,750,000 shares in Tattersalls Limited from GPG Australia Nominees Limited, payment for which will be \$10,123,180 plus 216,481,366 ordinary shares in Rattoon.
- (b) Rattoon acquires 21,750,000 shares in Tattersalls Limited from interests associated with the Thorney Investment Group, payment for which will be \$10,123,180 plus 216,481,366 ordinary shares in Rattoon.
- (c) Rattoon issues 29,695,620 ordinary shares in Rattoon for subscriptions of \$8,000,000 from professional and sophisticated investors.

Directors' Declaration

30 June 2006

The directors of Rattoon Holdings Limited declare that:

- (a) in the directors' opinion, the financial statements and notes for the financial year ended 30 June 2006 are in accordance with the Corporations Act 2001, including:
 - (i) section 296 (compliance with accounting standards); and
 - (ii) section 297 (true and fair view); and
- (b) in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Graeme Cureton
Chairman



Hugh Robertson
Director

Dated this 28th day of September 2006.

Audit Report

HORWATH MELBOURNE

Chartered Accountants

A member of Horwath International

525 Collins Street Melbourne 3000

GPO Box 4736 Melbourne

Victoria 3001 Australia

Independent audit report to members of Rattoon Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of Rattoon Holdings Limited for the year ended 30 June 2006. The financial report comprises the balance sheet at 30 June 2006, and the income statement, statement of changes in equity, cash flow statement, summary of significant accounting policies and other explanatory notes, and the directors' declaration for the year then ended.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Accounting Standards in Australia and the *Corporations Act 2001*. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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.

The company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in 13 of the directors' report, as permitted by the Corporations Regulations 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Auditing Standards in Australia. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditors' Independence Declaration, a copy of which is included in the Directors' Report.

Auditor's Opinion

In our opinion the financial report of Rattoon Holdings Limited is in accordance with the Corporations Act 2001, including:

- (a) 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
- (b) complying with Accounting Standards in Australia including the Australian Accounting Interpretations and the Corporations Regulations 2001.

The remuneration disclosures that are contained in paragraph 13 of the directors' report comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

Dated the 28th day of September 2006.



HORWATH MELBOURNE
Chartered Accountants



Nicholas E. Burne
Partner

Shareholder Information

Tax File Number (TFN) Information

While it is not compulsory for a shareholder to provide a TFN, the Company is obliged to deduct tax from any unfranked portion of a dividend payment to shareholders resident in Australia who have not supplied such information. If you have not already supplied your TFN, you may do so by writing to Security Transfer Registrars Pty Ltd.

Changing Name or Address

Changes to your name or address must be advised in writing to Security Transfer Registrars Pty Ltd. If you are sponsored by a broker, your notice in writing must be sent to your sponsoring broker.

Share Registry

The Company's Share Register is maintained by Security Transfer Registrars Pty Ltd. Shareholders enquiries about their shareholdings should be addressed to:

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone 61 8 9315 0933
Facsimile 61 8 9315 2233
Email registrar@securitytransfer.com.au

Please quote your shareholder number on all communications with the Share Registrar or the Company.

Substantial Shareholders

The number of shares held by substantial Shareholders is set out below: Also, refer Note 22.

Shareholders	Number of Ordinary Shares	% of Issued
Guinness Peat Group plc	7,743,480	20.2
Fadmoor Pty Ltd	4,719,456	12.3
Thorney Investment Group	4,447,814	11.6
River Capital Pty Ltd	2,156,028	5.6

Voting Rights

Shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Shareholders' meetings.

Options

Each option is convertible to one ordinary share. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

NSX Additional Information

Additional information required by the Stock Exchange of Newcastle Limited ("NSX") Listing Rules and not disclosed elsewhere in this report is set out below.

Stock Exchange Listing

The Company's shares are listed on the Stock Exchange of Newcastle Limited and trade under the NSX code RTN.

Distribution of equity security holders

The number of issued shares as at the date of this report was 38,355,193 held by 575 shareholders whose voting rights are one vote for each share held. Also refer Note 22.

Category	Number of Shareholdings
1 – 1,000	222
1,001 – 5,000	140
5,001 – 10,000	71
10,001 – 100,000	105
100,001 and over	37
Total	575

Ten Largest Shareholders

The top 10 shareholders as at August 31, 2006 are as follows:

Shareholder Name	Number of Shares	% of Shares Issued
Bell Potter Nominees	8,626,592	22.49
Fadmoor Pty Ltd	4,719,456	12.30
Invia Custodian Pty Ltd	4,447,814	11.60
River Capital Pty Ltd	2,156,028	5.62
Invia Custodian Pty Ltd	1,849,611	4.82
Invia Custodian Pty Ltd	1,233,074	3.21
Bungeeltap Pty Ltd	950,351	2.48
Simon Anthony Yencken	820,000	2.14
Transcontinental Asset Management	800,000	2.09
Management UBS Wealth	800,000	2.09
	26,402,926	68.84

Rattoon Holdings Limited

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5 Year Summary of the Results, Assets and Liabilities of Rattoon Holdings LimitedFor the years ended 30 June¹

	2002 \$	2003 \$	2004 \$	2005 \$	2006 \$
Profit and Loss					
Revenue from operating activities	17,546,819	13,183	2,193,139	1,771,224	707,578
Total expenses (excluding borrowing costs)	(27,121,239)	(395,159)	(884,397)	(964,097)	(232,247)
Borrowing costs expense	(337,449)	-	-	(55,973)	(678,961)
Total expenses	(27,458,688)	(395,159)	(884,397)	(1,120,070)	(911,208)
Profit (Loss) from ordinary activities before income tax expense	(9,911,869)	(381,976)	1,308,742	751,154	(203,630)
Income tax expense / (Provision for deferred tax)	-	-	-	-	-
Net profit (loss)	(9,911,869)	(381,976)	1,308,742	751,154	(203,630)
Basic earnings per share (cents per share)	(9.92)	(0.38)	4.33	1.78	(0.49)
Balance Sheet					
Current Assets	195,791	35,555	992,248	1,428,033	961,299
Non-Current Assets	2,327,000	426,245	7,852,090	21,019,906	17,672,536
Total Assets	2,522,791	461,800	8,844,338	22,447,939	18,633,835
Current Liabilities	1,382,995	587,358	27,948	10,177,053	10,042,919
Non-Current Liabilities	2,552,358	1,515,216	-	-	-
Total Liabilities	3,935,353	2,102,574	27,948	10,177,053	10,042,919
Net Assets / (Liabilities)	(1,412,562)	(1,640,774)	8,816,390	12,270,886	8,590,916
Contributed equity	23,648,004	23,648,004	32,796,426	35,488,568	33,605,495
Reserves	-	-	-	11,200	(1,582,067)
Accumulated losses	(25,060,566)	(25,288,778)	(23,980,036)	(23,228,882)	(23,432,512)
Total shareholders' equity / (deficit)	(1,412,562)	(1,640,774)	8,816,390	12,270,886	8,590,916

¹ Agreed to Audited Accounts

Rattoon Holdings Limited
A.B.N. 16 076 611 268

Corporate Directory

Directors of the Company

Graeme Cureton
Hugh Robertson
Peter Landos

Company Secretary

Ken Stonehouse

Registered Office of the Company

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Web: www.rattoon.com.au
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Share Registry

Security Transfer Registrars Pty Ltd

770 Canning Highway
APPLECROSS WA 6153
Shareholder enquiries: +61 (08) 9315 0933
Facsimile: +61 (08) 9315 2233
Email: registrar@securitytransfer.com.au

Auditor

Horwath Melbourne Chartered Accountants

600 St Kilda Road
MELBOURNE VIC 3004

Newcastle Stock Exchange Sponsoring Broker

Bell Potter Securities Limited

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