

Rattoon Holdings Limited

ABN 16 076 611 268

Contents

Chairman's Report	1
Corporate Governance	3
Directors' Report	5
Statement of Financial Performance	11
Statement of Financial Position.....	12
Statement of Cash Flows	13
Notes to the Financial Statements	15
Directors' Declaration.....	31
Independent Audit Report to the Members of Rattoon Holdings Limited	33
Shareholder Information	35
NSX Additional Information	36
Corporate Directory	37

Chairman's Report

I am pleased to report that the 2004 financial year has been a year full of many positives for Rattoon Holdings Limited ("Rattoon").

I am pleased to advise you that over the past twelve months the Company has:

- commenced its new undertaking as an investment company;
- raised additional \$9.5 million of equity capital;
- acquired notional units in the Estate of the Late George Adams ("Tattersall's");
- exited the Deed of Company Arrangement that the Company had been subject to since 19 April 2002; and;
- listed on the Stock Exchange of Newcastle Limited ("NSX") on 21 June 2004.

As you are aware, Rattoon had contemplated a raising of \$18.5 million in April of this year subject to ASX listing approval. Prior to the commencement of the Prospectus offer period, Rattoon applied to the ASX for the re-instatement of its shares. Subsequent to the close of the Offer however, the ASX advised Rattoon that it did not believe that Rattoon had an appropriate structure and operations for the purposes of ASX Listing and denied re-listing. This unfortunately resulted in Rattoon having to return shareholders application monies and Rattoon being unable to take advantage of identified investment opportunities.

The directors believe that the Company's current size and structure is suited to a listing, and this has now been achieved, on the NSX, which is Australia's second official stock exchange approved under Corporations Act in Australia.

Rattoon is continuing to seek investments in Tattersall's and other unlisted Australian entities. If such opportunities arise, Rattoon will seek appropriate funding including providing the opportunity to shareholders to subscribe for additional shares.

The Board is also aware that a number of shareholders wish to increase their holding to a marketable parcel, or to sell out of their holding. While the NSX provides a measure of liquidity for shareholders, the directors are investigating additional means whereby shareholders can achieve their Rattoon investment objectives.

I am pleased with the accomplishments of the Company this financial year and look forward to the future with some optimism. I also take this opportunity to express my appreciation for the efforts over the past year of my fellow Directors and the efforts of Michael Naphtali whom I replaced as Chairman in June.



Gordon Moffatt
Chairman

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Corporate Governance

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

1. Board of Directors

Rattoon Holdings Limited acknowledges that the Corporations 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.

2. 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.

3. 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 governance structure in the Company.

In accordance with the Constitution, the Board will comprise between four and eight individual Directors. Generally, this will be a number of four (4) including the Chairman.

The Board shall contain a relevant blend of expertise in

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

Directors are appointed under the 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 in a general meeting while the Board may appoint at any time additional Directors. 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 third of all Directors are expected to retire at each annual 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.

4. Conflict of Interest and Related 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 Director's

personnel 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.

5. 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 independently of all employees of the Company with the external auditors at least once a year. Full details are provided in the committee's terms of reference.

6. 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.

7. 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.

8. 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.

9. Directors Remuneration

By serving on the board of a limited company, the directors of a corporation assume a significant responsibility. The company offers its non-employee directors a highly competitive compensation package, which includes a retainer, meeting fees, liability insurance, 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.

Directors' Report

The Board of Directors of Rattoon Holdings Limited (the 'Company') present the following report for the year ended 30 June 2004 accompanied by the Financial Statements of the Company for the year ended 30 June 2004.

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:

Michael Naphtali	Mark Lipshut (resigned 1 July 2003)
Hugh Henderson	Anthony Surtees (resigned 1 July 2003)
Raju Parrab (resigned 1 July 2003)	Gordon Moffatt (appointed 1 July 2003)
Hugh Robertson (appointed 1 July 2003)	

2 Principal Activities

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

3 Consolidated Accounts

On 28 December 2003 Rattoon Holdings Limited disposed of its investment in P W Online Pty Ltd. This entity did not trade during the 12 months to 30 June 2004 and as this entity was not controlled at balance date nor was its operations material, it has not been consolidated within the Company's financial accounts as at 30 June 2004.

The Company has no subsidiary companies as at 30 June 2004.

4 Review and Results of Operations

The Directors are pleased to advise you that over the past twelve months the Company has commenced its new undertaking of an investment company, raised additional capital, acquired interests in Tattersall's and has exited the Deed of Company Arrangement that the Company has been subject to since 19 April 2002. The company also listed on the NSX on 21 June 2004.

This process began at a general meeting on 1 July 2003 where the shareholders approved the changing of the Company's name from Phoneware Limited to Rattoon Holdings Limited (NSX code:RTN), the changing of the Company's undertaking to that of an investment company, and a 100:1 share consolidation.

As a result, the Company's principal activity going forward is making investments in unlisted Australian entities and managing those investments. In assessing investments, the Board will focus on the long term operating performance of the investment and its future outlook, with an emphasis on long-term capital growth and sustainable distributions.

Subsequent to this general meeting, the Company made four share placements during the twelve months ending 30 June 2004, successfully raising \$9.2 million (net of placement fees) via the placement of 38.2 million ordinary shares.

From these funds, \$7.9 million was invested in Tattersall's, which owns Tattersall's Holdings Limited, one of Australia's largest gaming operators. The Directors expect this investment to meet the Company's investment decision criteria as noted above, and are looking at further opportunities to invest in Tattersall's.

The Company has reported a net profit attributable to members of \$1,308,742 for the twelve months ending 30 June 2004. This result is largely non-representative of the new undertakings on the Company with the result significantly attributable to previous activities of the company, specifically the crediting as revenue of \$1,676,329 being the amount owing to trade creditors and convertible note holders written back as a result of the operation of the Deed of Company Arrangement.

5 Trading Result

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

	2004	2003
	\$	\$
Profit (Loss) from Ordinary Activities Before Income Tax	<u>1,308,742</u>	<u>(381,976)</u>
Net Profit (Loss) Attributable to Members of the Parent Entity	<u>1,308,742</u>	<u>(381,976)</u>

6 Dividends

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

7 Significant Change in State Of Affairs

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

- 1 July 2003 - General meeting of shareholders approves the change of the Company's undertaking to that of an investment company, a change of the Company's name to Rattoon Holdings Limited and a share consolidation of 100:1;
- 1 July 2003 - Resignation of Tony Surtees, Mark Lipshut and Raju Parrab as Directors of the Company
- 1 July 2003 - Appointment of Gordon Moffatt and Hugh Robertson as Directors of the Company
- 18 June 2004 - The Company was removed from the official list of the ASX
- 21 June 2004 - The Company was admitted to the official list of the NSX; and,
- 21 June 2004 - Appointment of Gordon Moffatt as Chairman of the Company

8 Events Subsequent to Balance Date

There has not arisen in the interval between the end of the Financial year and the date of this report 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 operations 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 (if any) of each director are:

Gordon Moffatt (73)

Chairman

Appointed 1 July 2003

Gordon Moffatt has been a Director and Chairman of Trust Company. He is a Company Director and well-known charity worker. Gordon has had extensive experience in the Securities Industry, having been a partner in a stockbroking firm, a member of the Stock Exchange of Melbourne and a Licensed Investment Adviser. He was a Melbourne City Councillor (1974-1981 and 1982-1985), and First Deputy Lord Mayor of Melbourne (1984-1985).

Special Responsibilities:

Member of the Corporate Governance Committee

Member of the Audit Committee

Hugh Henderson (60)

Non-Executive Director

Appointed 4 December 1996

Mr Henderson is a mechanical engineer by training, and has held Chief Executive positions in the UK, the USA and Australia in a broad spectrum of manufacturing and IT companies. Since 1996 he has had his own business brokerage company, MacFarlane Partners, which offers a variety of consultancy services to its clients, primarily in the areas of strategic restructure, capital raising, acquisition, divestment of assets and IPO. He is a Fellow of the Australian Institute of Directors, and a Fellow of the Chartered Institute of Management.

Special Responsibilities:

Member of the Audit Committee

Member of the Remuneration Committee

Member of the Corporate Governance Committee

Michael Naphtali (55)

Non-Executive Director

Appointed 3 February 2000

Mr Naphtali graduated from Monash University with a Bachelor of Economics (Honours) degree and obtained an MBA from the University of Chicago. He began his commercial career in the corporate finance department of Hill Samuel Australia Ltd. In 1978 he joined the Pratt Group, where he held the position of Managing Director for 15 years. In 1998 he co-founded Hindal Corporate Pty Ltd with David Beatty. Michael operates as a key adviser and business consultant, predominantly to large private clients on strategy, financing, succession, restructuring and tax matters, acquisitions, asset disposals and capital raising. In addition to his role as a director of Hindal Corporate he is substantially involved in numerous community and charitable activities.

Special Responsibilities:

Member of the Remuneration Committee

Hugh Robertson (43)
Non-Executive Director
Appointed – 1 July 2003

Hugh Robertson has had over 20 years experience in the Stockbroking and Investment Industry. Hugh has been a Director of OAMPS Limited since July 2000, and was a Director of Falkiners Stockbroking Limited prior to merging with Bell Potter Securities Limited.

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)
M Naphtali	12	10	2	2	1	1	-	-
H Henderson	12	12	2	2	1	1	1	1
R Parrab ²	1	1	-	-	-	-	-	-
M Lipshut ²	1	0	-	-	-	-	-	-
A Surtees ²	1	1	-	-	-	-	-	-
G Moffatt ¹	11	11	-	-	-	-	1	1
H. Robertson ¹	11	11	-	-	-	-	-	-

(A) Number of meetings held while in office

(B) Number of meetings attended

¹ Appointed Non-Executive Directors of Rattoon Holdings Ltd on 1 July 2003.

² Resigned as Non-Executive Director of Rattoon Holdings Ltd on 1 July 2003.

13 Emoluments of Directors and Senior Executives

Emoluments of Non-Executive Directors comprise fees and are determined having regard to industry practice and the need to obtain appropriately qualified independent persons. Fees do not contain any non-monetary elements.

As at 30 June 2004, the Company did not have any Executives employed.

Emoluments of Executive Directors and other Senior Executives during the financial year ended 30 June 2004 were determined by a 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 salaries, performance bonuses, the non-cash benefits and contributions to superannuation funds.

There are no unexpired periods of service contracts relating to the appointment of the Directors.

The emoluments of each Director are as follows:

Director	Director's Fees \$	Superannuation Contributions \$	Total \$
M Naphtali	-	-	-
H Henderson	30,000	2,700	32,700
R Parrab	-	-	-
M Lipshut	-	-	-
A Surtees	-	-	-
G Moffatt	32,700	-	32,700
H. Robertson	-	-	-

Details of Directors Remuneration via the issue of options is detailed below:

	Issue Date	Number	Exercise Price	Expiry Date	Value per Option¹	Total Value
Keith Mitchelhill ²	19/06/01	1,200,000	\$30.00	30/04/05	\$0.00	\$0.00
Keith Mitchelhill ²	19/06/01	1,200,000	\$40.00	30/04/06	\$0.00	\$0.00
Keith Mitchelhill ²	19/06/01	1,200,000	\$50.00	30/04/07	\$0.00	\$0.00
Keith Mitchelhill ²	29/11/01	1,200,000	\$15.00	30/04/05	\$0.00	\$0.00
Keith Mitchelhill ²	29/11/01	1,200,000	\$20.00	30/04/06	\$0.00	\$0.00
Keith Mitchelhill ²	29/11/01	1,200,000	\$25.00	30/04/07	\$0.00	\$0.00
Tony Surtees ²	19/06/01	120,000	\$30.00	30/06/04	\$0.00	\$0.00
Raju Parrab ²	19/06/01	120,000	\$30.00	30/06/04	\$0.00	\$0.00
Mark Lipshut ²	19/06/01	250,000	\$35.00	01/06/05	\$0.00	\$0.00

¹ Options have been valued via Black Scholes valuation methodology as at 30 June 2004. The amounts disclosed for remuneration of Directors include the assessed fair values of options granted to Directors during the year ended 30 June 2004 at the date they were granted. Fair values have been assessed using the Black Scholes option-pricing model. Factors taken into account by this model include the exercise price, the term of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the option.

² Former Directors with options still in existence at Balance Date.

There were no Executive Officers employed by the economic entity during the 12 months ending 30 June 2004.

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
M Naphtali	-	1,504,291	-
H Henderson	8,570	225	-
G Moffatt	-	4,000,000	-
H Robertson	920,351	60	-

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

During the year 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 31 July 2004 are as follows:

	Number of Shares	% of Shares Issued
Charmof Nominees Pty Ltd	4,000,000	10.21%
Giovanni Nominees Pty Ltd	3,605,740	9.20%
BB Nominees Pty Ltd	3,594,000	9.17%
Westpac Custodian Nominee	3,370,285	8.60%
Invia Custodian Pty Ltd	1,680,000	4.29%
Invia Custodian Pty Ltd	1,120,000	2.86%
Urban Land Nominees Pty Ltd	1,000,000	2.55%
Ingot Capital Invest Pty Ltd	1,000,000	2.55%
Sir Ron Brierley	1,000,000	2.55%
Bungeeltap Pty Ltd	920,351	2.35%
	21,290,376	54.34%

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 1st day of September 2004.



Gordon Moffatt
Chairman

Statement of Financial Performance

For the year ended 30 June 2004

	Note	2004 \$	2003 \$
Revenue from operating activities	2	516,810	13,183
Other revenues from ordinary activities	2	1,676,329	-
Total Revenue from ordinary activities		2,193,139	13,183
Employee and sub-contractor costs		(140,090)	(69,769)
Administration costs		(23,111)	(86,567)
Write-down of investments		-	(77,683)
Other expenses from ordinary activities	3	(721,196)	(161,140)
Total expenses from ordinary activities excluding borrowing costs		(884,397)	(395,159)
Borrowing costs expense		-	-
Total expenses	3	(884,397)	(395,159)
Profit (Loss) from ordinary activities before income tax expense		1,308,742	(381,976)
Income tax expense relating to ordinary activities	4	-	-
Net profit (loss)	14	1,308,742	(381,976)
Total changes in equity other than those resulting from transactions with owners as owners	14	1,308,742	(381,976)
<hr/>			
Basic earnings per share (cents per share)	17	4.33	(0.38)

Statement of Financial Position

As at 30 June 2004

	Note	2004 \$	2003 \$
Current assets			
Cash assets	5	712,008	23,111
Receivables	6	225,790	-
Other	7	54,450	12,444
Total current assets		992,248	35,555
Non-current assets			
Other financial assets	8	7,852,090	426,245
Total non-current assets		7,852,090	426,245
Total assets		8,844,338	461,800
Current liabilities			
Payables	9	27,948	587,358
Total current liabilities		27,948	587,358
Non-current liabilities			
Payables	9	-	8,325
Interest-bearing liabilities	10	-	1,506,891
Total non-current liabilities		-	1,515,216
Total liabilities		27,948	2,102,574
Net assets/(liabilities)		8,816,390	(1,640,774)
Shareholders' equity/(deficit)			
Contributed equity	13	32,796,426	23,648,004
Accumulated losses	14	(23,980,036)	(25,288,778)
Total shareholders' equity/(deficit)		8,816,390	(1,640,774)

Statement of Cash Flows

For the year ended 30 June 2004

		2004	2003
		\$	\$
	Note	Inflows / (Outflows)	Inflows / (Outflows)
Cash flows from operating activities			
Receipts from customers		-	15,247
Payments to suppliers and employees		(898,457)	(317,476)
Interest and trust distributions received		291,020	159
Net cash used in operating activities	18	(607,437)	(302,070)
Cash flows from investing activities			
Proceeds from sale of investments		2	-
Proceeds from realisation of investments under Deed of Company Arrangement		-	1,696,074
Payment for Investments		(7,698,335)	-
Repayment of Borrowings under Deed of Company Arrangement		-	(1,408,957)
Loan funds provided		(240,549)	-
Repayment of loan funds		86,794	-
Net cash (used in)/provided by investing activities		(7,852,088)	287,117
Cash flows from financing activities			
Proceeds from issue of shares (net)		9,148,422	-
Proceeds from borrowings		-	18,523
Net cash provided by financing activities		9,148,422	18,523
Net increase in cash held		688,897	3,570
Cash at the beginning of the financial year		23,111	19,541
Cash at the end of the financial year	5	712,008	23,111

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Notes to the Financial Statements

1. Statement Of Significant Accounting Policies

The financial report is a general-purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Rattoon Holdings Limited (the 'Company'). The Company is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs, and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

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.

(a) Principles of Consolidation

A controlled entity is any entity controlled by the Company. Control exists where the Company has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Company to achieve the objectives of the Company. Details of the controlled entities are contained in Note 11.

All inter-company balances and transactions between entities in the economic entity, including unrealised profits or losses, have been eliminated on consolidation.

Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceased.

(b) Recoverable Amounts

The carrying amounts of non-current assets do not exceed the net amounts that are expected to be recovered through cash inflows and outflows arising from continued use and subsequent disposal. The expected net cash flows included in determining the recoverable amounts have not been discounted to their present values.

(c) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting result after allowing for permanent differences.

Income tax on net cumulative timing differences is set aside to the provision for deferred income tax or future tax benefit accounts at the current company tax rate. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

(d) Cash

For the purposes of the statement of cash flows, cash includes cash at bank and on hand, and bank deposits including interest bearing term deposits which mature within three months of the date of acquisition and net of bank overdrafts.

Notes to the Financial Statements (continued)

(e) Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date less provisions for doubtful debts.

(f) Investments

Non-current investments are measured on the cost basis. Investments in other unlisted entities are carried at the lower of cost and recoverable amount.

(g) Revenue Recognition

(i) Sale of goods

Revenue from the sale of goods is recognised when control of the goods has passed to the buyer, the amount of revenue can be measured reliably and it is probable that it will be received by the Company.

(ii) Rendering of services

When the outcome of a contract to provide services can be estimated reliably, revenue is recognised by reference to the percentage of the services performed.

(iii) 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.

(h) Borrowings

Borrowings are recognised in the financial report on the basis of the nominal amounts outstanding at balance date plus accrued interest. Borrowing costs are recognised as an expense in the period in which they are incurred.

(i) Accounts Payable

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

2. Revenue

	Note	2004 \$	2003 \$
Operating activities			
• dividends/distributions received or receivable		444,718	-
• interest received or receivable	2(a)	72,092	159
• other revenue		-	13,024
		516,810	13,183
Non-operating activities			
• loan forgiveness	3(v)	1,676,329	-
		1,676,329	-
Total Revenue from ordinary activities		2,193,139	13,183

(a) Interest from:

• other persons	72,092	159
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Notes to the Financial Statements (continued)

3. Profit (Loss) from Ordinary Activities

	Note	2004 \$	2003 \$
Profit (Loss) from ordinary activities before income tax has been determined after:			
(i) Write-down of shares in other corporations to recoverable amount		-	77,683
(ii) Employee and sub-contractor costs			
• sub-contractor costs		74,690	-
• directors fees		65,400	-
		140,090	-
(iii) Costs of Voluntary Administration			
• administrator fees		23,111	-
(iv) Other expenses:			
• insurance		18,150	-
• share registry		46,264	-
• accounting fees	16	130,933	-
• printing and postage		69,625	-
• auditors remuneration	16	74,560	45,000
• filing fees		41,913	48,865
• legal fees		154,918	42,563
• corporate advisory fees		165,000	-
• other expenses		19,833	24,712
		721,196	161,140
(v) The following significant item is relevant in explaining the financial performance during the year:			
• loan forgiveness	2	1,676,329	-

On 2 April 2002 the Company and all wholly owned subsidiaries were placed into Voluntary Administration due to poor trading. In accordance with the Corporations Act 2001, upon commencement of the Administration, all powers of the Directors and Officers of the Company were suspended and the Administrators assumed control of the Company, its business and assets. On 19 April 2002 the Company became subject to a Deed of Company Arrangement and the Deed Administrators under the Deed assumed control of the Company.

In April 2002, the Deed Administrators sold the Company's Australian and Asian operating subsidiaries to Sirius Telecommunications Ltd.

On 30 January 2004 the Deed of Company Arrangement between John Ross Lindholm and John Menzies Spark (as Administrators) and the company, had been wholly effectuated. The financial impact of the Company entering into the Deed of Company Arrangement is noted above.

Notes to the Financial Statements (continued)

4. Income Tax Expense

	2004	2003
	\$	\$
The prima facie tax on profit from ordinary activities before tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before tax income tax at 30% (2003: 30%)	392,623	(114,593)
Add:		
Tax effect of:		
• non-deductible depreciation and amortisation	-	-
• tax losses not brought to account	131,908	78,519
• other non-allowable items	-	12,769
• write-downs to recoverable amount	-	23,305
Less:		
Tax effect of:		
• Non-assessable forgiveness of trade creditors and convertible notes under Deed of Company Arrangement	(502,899)	-
• Deductible capital expenditure	(21,632)	-
Income tax expense attributable to profit from ordinary activities	-	-
(b) Future income tax benefits not brought to account, the benefits of which will only be realised if the conditions for deductibility.		
• tax losses brought forward	-	650,958
• timing differences	-	-
	-	650,958

Due to the change in structure and ownership of Rattoon Holdings Limited and the profit achieved during the year, no future income tax benefits have been recorded at the reporting date due to the uncertainty over their availability.

Rattoon Holdings Limited

A.B.N. 16 076 611 268

Notes to the Financial Statements (continued)**5. Cash**

		2004	2003
	Note	\$	\$
Cash at bank		9,759	23,111
Deposits at call		702,249	-
	18	712,008	23,111

Interest

Interest is receivable on cash at bank and deposits at call at prevailing rates which averaged 4.9% over the year.

6. Receiveables

		2004	2003
		\$	\$
Accrued distribution		225,790	-
		225,790	-

7. Other Assets

		2004	2003
		\$	\$
Prepayments		54,450	12,444
		54,450	12,444

8. Other Financial Assets

		2004	2003
		\$	\$
Non-current			
Investments in controlled entities			
• at cost – P.W. Online Pty Ltd		-	2
Investments in other listed corporations			
• at cost – Sirius Telecommunications Ltd		-	426,243
• at cost – notional units in the Estate of the late George Adams		7,698,335	-
• at cost – loan to the Estate of the late George Adams		153,755	-
		7,852,090	426,245

Notes to the Financial Statements (continued)

9. Payables

	2004	2003
	\$	\$
Current		
Trade creditors	15,572	287,242
Other unsecured creditors and accruals	12,376	300,116
	27,948	587,358
Non-current		
Amounts payable to wholly-owned entities	-	8,325
	-	8,325
	27,948	595,683

10. Interest Bearing Liabilities

	2004	2003
	\$	\$
Non-current		
Unsecured liabilities		
Convertible notes	-	1,506,891
	-	1,506,891

The Company has no financing facilities currently available.

11. Controlled Entities

As Rattoon Holdings Limited did not have control over any subsidiary entities as at 30 June 2004 consolidated financial statements have not been prepared.

On 28 December 2003 the company sold its shareholding in its subsidiary P W Online Pty Ltd (subject to a Deed of Company Arrangement) for \$2. The Deed of Company Arrangement was passed on 19 April 2002 and the entity had not traded since that date. As a result the disposal of the subsidiary was not considered a material event and the full financial impact of the disposal has been recorded in the financial statements.

12. Statement Of Operations By Segments

During the year ended 30 June 2004 the company operated in a single segment being investment in Australian unlisted entities, solely within Australia.

Notes to the Financial Statements (continued)

13. Contributed Equity

	Note	2004 \$	2003 \$
Ordinary shares \$			
At the beginning of the reporting period		23,648,004	23,648,004
Shares issued during the year	13(ii)	9,545,000	-
Cost of raising equity		(396,578)	-
At reporting date		32,796,426	23,648,004
Ordinary shares – number			
At the beginning of the reporting period		99,958,475	99,958,475
Share consolidation (100:1)	13(i)	(98,958,628)	-
Shares issued during the year	13(ii)	38,180,000	-
At reporting date		39,179,847	99,958,475

(i) Share Consolidation

On 1 July 2003 a General Meeting of Shareholders approved a Share consolidation of 100 to 1, which resulted in the number of shares being reduced from 99,958,475 to 999,847.

(ii) Issue of Shares During the Year

- On 30 July 2003 a private placement of 12.97 million shares at \$0.25 cents per share was made to professional investors.
- On 22 Oct 2003 a second private placement of 20.0 million shares at \$0.25 cents per share was made to professional investors
- On 28 Oct 2003 a third private placement of 5.01 million shares at \$0.25 cents per share was made to professional investors.
- On 19 December 2003 a fourth private placement of 200,000 shares at \$0.25 cents per share was made to professional investors.

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	30.00	30/04/05
Former Executive Director		19/06/01	1,200,000	40.00	30/04/06
Former Executive Director		19/06/01	1,200,000	50.00	30/04/07
Former Executive Director		19/06/01	250,000	35.00	01/06/05
Staff Options		19/06/01	250,000	35.00	01/06/05
Other Options	(iv)	19/06/01	7,300,000	35.00	Various
Staff Options	(iii)	29/11/01	500,000	10.00	30/06/04
Staff Options		29/11/01	500,000	15.00	30/06/05
Former Executive Director		19/06/01	120,000	30.00	30/06/04
Former Executive Director		19/06/01	120,000	30.00	30/06/04
Former Executive Director		29/11/01	1,200,000	15.00	30/04/05
Former Executive Director		29/11/01	1,200,000	20.00	30/04/06
Former Executive Director		29/11/01	1,200,000	25.00	30/04/07
Total unquoted options on issue			16,000,000		

Notes to the Financial Statements (continued)

13. Contributed Equity (continued)

(iii) Options expired post balance date but prior to lodgement of accounts

These options existed at balance date, but had expired without being exercised prior to reporting date.

(iv) 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.

14. Accumulated Losses

	Note	2004 \$	2003 \$
Accumulated losses at the beginning of the financial year		(25,288,778)	(24,906,802)
Net profit / (loss) attributable to the members of the parent entity		1,308,742	(381,976)
Dividends provided for or paid	15	-	-
Accumulated losses at the end of the financial year		(23,980,036)	(25,288,778)

15. Dividends

	2004 \$	2003 \$
Unfranked 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.	-	-

16. Auditors' Remuneration

	2004 \$	2003 \$
Remuneration of the auditor of the Company for:		
• audit and review of the financial reports	74,560	45,000
• other services	130,933	-
	205,493	45,000

Notes to the Financial Statements (continued)

17. Earnings Per Share

	2004	2003
Basic earnings (loss) per share (cents)	4.33	(0.38)
Diluted earnings (loss) per share (cents)	4.33	(0.38)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	30,194,943	99,958,475
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	30,194,943	99,958,475

18. 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 statement of cash flows is reconciled to the related items in the statements of financial position as follows:

(ii) Reconciliation of cash

	Note	2004 \$	2003 \$
Cash at Bank	5	712,008	23,111
Profit (Loss) from ordinary activities after income tax		1,308,742	(381,976)
Add non-cash items:			
Write-down of investments		-	77,683
Net cash provided by operating activities before change in assets and liabilities		1,308,742	(304,293)
(Increase) / decrease in other assets		(42,006)	2,223
Increase in receivables		(225,790)	-
Decrease in other financial assets		426,245	-
Decrease in accounts payable		(559,412)	-
Decrease in interest bearing liabilities		(1,515,216)	-
Net cash used in operating activities		(607,437)	(302,070)

(iii) Disposal of controlled entity

On 28 December 2003 the company sold its shareholding in its subsidiary P W Online Pty Ltd for \$2. P W Online Pty Ltd was subject to a Deed of Company Arrangement that was passed on 19 April 2002, and the entity had not traded since that date. As a result the disposal of the subsidiary was not considered a material event and the full financial impact of the disposal has been recorded in the financial statements.

Notes to the Financial Statements (continued)**19. Related Party Transactions**

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

(i) Directors:

During October 2001, loan funds were made available to the Company from a number of Directors as part of a larger fund raising that raised \$2,468,794 via the issue of convertible notes. The amounts made available are noted below:

Director	2004	2003
	\$	\$
Michael Naphtali	-	400,000
Michael Edgar	-	25,000
Keith Mitchelhill	-	25,000
Tony Surtees	-	125,000
Mark Lipshut	-	468,794

These liabilities were extinguished during the 2004 financial year added as part of the settlement of Deed of Company Arrangement.

(ii) Director-related entities

Michael Naphtali is Chairman of Hindal Securities Pty Ltd. Under agreement between the Company and Hindal Corporate Pty Ltd, Hindal Securities ("Hindal") provided accounting, administrative and share registry services during the year for fees totalling \$54,628 (2003: \$nil). These fees were on normal commercial terms.

Mr Naphtali is Chairman of Hindal Securities Pty Ltd who received fees in relation to advisory services for the capital raisings by the Company and its listing on the Stock Exchange of Newcastle. These comprised fees of \$175,000 and 400,000 shares in the Company.

Hugh Robertson is an associate of Bell Potter Securities Limited. Under agreement between the Company and Bell Potter Securities Limited, Bell Potter provided advisory services in relation to capital raisings by the Company during the year for fees totalling \$186,578 (2003: \$nil). These fees were on normal commercial terms.

Remuneration and retirement benefits paid or payable, or otherwise made available, to the directors of the Company are disclosed in the financial statements.

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 costs and expenses.

The Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers, insuring them against liabilities, costs and expenses arising out of conduct which does not involve a wilful breach of duty. This insurance premium covers the period 1 April 2004 to 31 March 2005.

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

Notes to the Financial Statements (continued)

19. Related Party Transactions (continued)

Shares and Option Transactions with Directors as at Balance Date:

	Shares 2004	Options 2004	Shares 2003	Options 2003
Shares acquired by directors and their related entities	6,420,000	-	-	-
Aggregate number of shares and share options held by current directors and their related entities in Rattoon Holdings Limited at balance date.	6,433,472	-	10,252,025	1,620,000

20. 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 2004, the Company did not employ any permanent staff.

	Note	No. of Options 2004	2003
Employee Options in existence at beginning of period		3,893,500	3,893,500
Lapsed under the scheme		(2,643,500)	-
Employee Options in existence at end of period		1,250,000	3,893,500

(ii) Non-Executive Director Options

No options have been issued to Non-Executive Directors other than outlined in Note 13.

(iii) Executive Director Options

No options have been issued to Directors other than outlined in Note 13.
As at 30 June 2004, the Company did not have any Executive Directors.

Notes to the Financial Statements (continued)

21. 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:

	Non-Interest Bearing	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Floating Interest Rate	Total
2004	\$	\$	\$	\$	\$	\$
Financial Assets:						
Cash	-	-	-	-	712,008	712,008
Receivables	225,790	-	-	-	-	225,790
Investments	7,852,090	-	-	-	-	7,852,090
	8,077,880				712,008	8,789,888
<i>Effective Interest Rates</i>					4.90%	
Financial Liabilities:						
Unsecured Liabilities	-	-	-	-	-	-
Borrowings	(27,948)	-	-	-	-	(27,948)
	(27,948)					(27,948)
<i>Effective Interest Rates</i>		-	-	-	4.90%	
Net Financial Assets	8,049,932	-	-	-	712,008	8,761,940

	Non-Interest Bearing	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Floating Interest Rate	Total
2003	\$	\$	\$	\$	\$	\$
Financial Assets:						
Cash	-	-	-	-	23,111	23,111
Receivables	-	-	-	-	-	-
Investments	426,243	-	-	-	-	426,243
	426,243	-	-	-	23,111	449,354
<i>Effective Interest Rates</i>		-	-	-	3.31%	-

Financial Liabilities:						
Unsecured Liabilities	(587,358)	-	(1,506,891)	-	-	(2,094,249)
Borrowings	-	-	-	-	-	-
	(587,358)	-	(1,506,891)	-	-	(2,094,249)
<i>Effective Interest Rates</i>	-	-	8.00%	-	-	
Net Financial Assets/ Liabilities)	(161,115)	-	(1,506,891)	-	23,111	(1,644,895)

(ii) Credit Risk Exposure

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

Notes to the Financial Statements (continued)

22. Directors and Executive Disclosures

Directors

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

Chairman – Non-Executive

Mr G Moffat (appointed 1 July 2003)

Non-Executive Directors

Mr H Henderson

Mr M Naphtali

Mr H Robertson (appointed 1 July 2003)

Mr R Parrab (resigned 1 July 2003)

Mr M Lipshut (resigned 1 July 2003)

Mr A Surtees (resigned 1 July 2003)

Mr R Parrab, Mr M Lipshut and Mr A Surtees all resigned from their positions as non-executive directors on 1 July 2003.

Executive (other than directors) with the greatest authority for strategic direction and management

The following person was the executive with the greatest authority for the strategic direction and management of the Company ("specified executive") during the financial year:

Name	Position
Mr M Jackson	Financial Controller/Company Secretary

The above person was also a specified executive during the year ended 30 June 2004.

Remuneration of Directors and Executives

Principles used to determine the nature and amount of remuneration

Non-Executive directors and specified executive

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 and Mr H Robertson did not wish to receive Directors during the year.

Notes to the Financial Statements (continued)

22. Directors and Executive Disclosures (continued)

Details of remuneration

Details of the remuneration of each Director of Rattoon Holdings Limited and the specified executive of the Company, including their personally-related entities, are set out in the following tables:

Directors of Rattoon Holdings Limited

2004	Primary			Post-employment		Equity	
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Options	Total
	\$	\$	\$	\$	\$	\$	\$
Mr G Moffat	32,700	-	-	-	-	-	32,700
Mr H Henderson	30,000	-	-	2,700	-	-	32,700
Mr M Naphtali	-	-	-	-	-	-	-
Mr H Robertson	-	-	-	-	-	-	-
Mr R Parrab	-	-	-	-	-	-	-
Mr M Lipshut	-	-	-	-	-	-	-
Mr A Surtees	-	-	-	-	-	-	-
Total	62,700	-	-	2,700	-	-	65,400

Specified executive of Rattoon Holdings Limited

2004	Primary			Post-employment		Equity	
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Options	Total
	\$	\$	\$	\$	\$	\$	\$
Mr M Jackson	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

Share-based compensation – options

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Date exercisable
19 June 2001	30 June 2004	\$30.00	Expiry date passed without option being exercised
19 June 2001	1 June 2005	\$35.00	Any time prior to 1 June 2005

Equity instrument disclosures relating to directors and executives

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.

Notes to the Financial Statements (continued)

22. Directors and Executive Disclosures (continued)

Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Rattoon Holdings Limited and the specified executive of the company is set out below.

	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<i>Directors of Rattoon Holdings Limited</i>						
Mr G Moffat	-	-	-	-	-	-
Mr H Henderson	-	-	-	-	-	-
Mr M Naphtali	-	-	-	-	-	-
Mr H Robertson	-	-	-	-	-	-
Mr R Parrab	120,000	-	-	-	120,000	-
Mr M Lipshut	250,000	-	-	-	250,000	-
Mr A Surtees	120,000	-	-	-	120,000	-
<i>Specified executive of the company</i>						
Mr M Jackson	-	-	-	-	-	-

No options are vested and unexercisable at the end of the year.

Share holdings

The numbers of shares in the Company held during the year by each director of Rattoon Holdings Limited and the specified executive of the company, including their personally-related entities, are set out below.

	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
<i>Directors of Rattoon Holdings Limited</i>				
Mr G Moffat	-	-	4,000,000	4,000,000
Mr H Henderson	857,000	-	(848,430)	8,570
Mr M Naphtali	2,825,382	-	1,321,091	1,504,291
Mr H Robertson	25,000	-	895,411	920,411
Mr R Parrab	-	-	-	-
Mr M Lipshut	5,687,140	-	(5,630,267)	56,873
Mr A Surtees	-	-	-	-
<i>Specified executives of the entity</i>				
Mr M Jackson	8,000	-	(7,921)	79

Loans to directors and executives

There were no loans made to directors of Rattoon Holdings Limited or the specified executive of the company at any stage during the financial year.

Notes to the Financial Statements (continued)

23. Impact Of Adopting International Financial Reporting Standards

The Australian Accounting Standards Board (AASB) is adopting Australian equivalents to International Financial Reporting Standards (IFRS), for application to reporting periods beginning on or after 1 January 2005. The adoption of IFRS will be first reflected in the Company's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

The Company is in the process of analysing the full impact of IFRS. The actual impacts will depend on the particular circumstances and conditions prevailing at the time of application of IFRS. For these reasons it is not yet possible to fully quantify the impact of the transition to IFRS on the Company. However based on work-to-date the following key impacts have been identified:

(a) Investment Portfolio to be Measured at Market Value

Under IFRS the investment portfolio will be revalued to fair market value continuously with all increments and decrements being included in Net Profit, whereas currently the investment portfolio is currently valued at the lower of cost and market value in aggregate.

This change may result in increased volatility in reported results for the investment portfolio.

(b) Income Tax Impact of Measuring Investment Portfolio at Market Value

Under IFRS, the Company will be required to recognise an additional tax asset or liability reflecting the deferred tax effect of measuring the investment portfolio at market value as described in (a) above. The additional deferred tax liability or asset on the investment portfolio will be reflected in income tax expense.

(c) Recognition of Deferred Capital Gains Tax on Investment Portfolio

Under IFRS, the Company must recognise an additional deferred tax liability amount for the capital gains tax payable on unrealised gains in the investment portfolio. This additional deferred tax liability is offset against the unrealized gains on the investment portfolio recognised in the Asset Revaluation Reserve of the Company.

24. Contingent Liabilities

There are no known contingent liabilities as at reporting date.

25. Events Subsequent To Balance Date

There have been no material events subsequent to balance date known to the Directors.

Rattoon Holdings Limited
ABN 16 076 611 268

Directors' Declaration
30 June 2004

The directors of Rattoon Holdings Limited declare that:

- (a) the financial statements and notes comply with Accounting Standards and give a true and fair view of the financial position of the Company for the financial year ended 30 June 2004; 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.

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:



Gordon Moffatt
Chairman



Hugh Henderson
Director

Dated this 1st day of September 2004.

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Independent Audit Report to the Members of Rattoon Holdings Limited

ABN 16 076 611 268

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, and accompanying notes to the financial statements for both Rattoon Holdings Limited (the Company), and the directors' declaration for the year ended 30 June 2004.

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

Audit approach

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

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

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

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

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

Independence

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

Audit opinion

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Dated the 1st day of September 2004.

A handwritten signature in blue ink, appearing to read 'Horwath Melbourne'.

HORWATH MELBOURNE
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'N. Burne'.

Nicholas E. Burne – Partner
Date - 1 September 2004

Rattoon Holdings Limited
ABN 16 076 611 268

Shareholder Information

Shareholdings (As At 31 July 2004)

Tax File Number (TFN) Information

While it is not compulsion 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 are set out below:

Shareholders	Number of Ordinary Shares	% of Issued
Charmof Nominees Pty Ltd	4,000,000	10.21%
Giovanni Nominees Pty Ltd	3,605,740	9.20%
Westpac Custodian Nominee	3,370,285	8.60%
Invia Custodian Pty Ltd	1,680,000	4.29%

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 39,179,847 held by 3,724 shareholders whose voting rights are one vote for each share held

Category	Number of Shareholding	Number of Shares
1 -1,000	3,633	433,170
1,001 - 5,000	138	280,996
5,001 - 10,000	11	79,989
10,001 - 100,000	51	2,867,003
100,001 and over	57	35,518,689
Totals	3,890	39,179,847

Ten largest Shareholders

The top 10 shareholders as at 31 July 2004 are as follows:

	Number of Shares	% of Shares Issued
Charmof Nominees Pty Ltd	4,000,000	10.21%
Giovanni Nominees Pty Ltd	3,605,740	9.20%
BB Nominees Pty Ltd	3,594,000	9.17%
Westpac Custodian Nominee	3,370,285	8.60%
Invia Custodian Pty Ltd	1,680,000	4.29%
Invia Custodian Pty Ltd	1,120,000	2.86%
Urban Land Nominees Pty Ltd	1,000,000	2.55%
Ingot Capital Invest Pty Ltd	1,000,000	2.55%
Sir Ron Brierley	1,000,000	2.55%
Bungeeltap Pty Ltd	920,351	2.35%
	21,290,376	54.34%

Rattoon Holdings Limited

ABN 16 076 611 268

Corporate Directory

Directors Of The Company

Gordon Moffatt
Michael Naphtali
Hugh Henderson
Hugh Robertson

Company Secretary

Matthew Jackson

Registered Office of the Company

Rattoon Holdings Limited

Level 10, 350 Collins Street

MELBOURNE VIC 3000

Telephone:	+61 (03) 9642 8822
Facsimile:	+61 (03) 9642 8025
Mail:	Level 10, 350 Collins Street MELBOURNE VIC 3000
Web	www.rattoon.com.au
Email:	enquiries@rattoon.com.au

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

Level 28, 80 Collins Street

MELBOURNE VIC 3000

Tel: (03) 9256 8700

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Toll Free: 133 788

Newcastle Stock Exchange Nominated Adviser

Whittens Lawyers & Consultants

Level 30, 133 Castlereagh Street

SYDNEY NSW 2000