

Registered Office

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Cannon Hill Qld 4170
PO Box 165
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OCEAN CAPITAL LIMITED

ABN 68 010 715 901

Phone: 07 3390 4356

Fax: 07 3390 7444

www.oceancapital.com.au

11 October 2006

The Manager
ASX
Company Announcements Platform
PO Box H224
AUSTRALIA SQUARE NSW 2000

Dear Sir,

Re: Ocean Capital Limited ABN 68 010 715 901

In accordance with listing Rules 3.17 and 4.7, attached is the full 2005/06 Annual Report to shareholders, Notice of Annual General Meeting and Proxy Form in relation to the above company.

The documents have been sent by mail to shareholders today.

The AGM is to be held in Brisbane on Friday 17 November 2006.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'K J Sheppard', is written over a dotted line.

.....
KEVIN J SHEPPARD
COMPANY SECRETARY



ocean
C A P I T A L

ANNUAL REPORT 2006



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Directory

Directors

David Ronald Kingston (Chairman)
Phillip Dickinson
Jayne Elizabeth Pester

Company Secretary

Kevin Joseph Sheppard

Registered Office

Sheppard Hanson & Co
Certified Practising Accountants
Shop D 1181 Wynnum Road
Cannon Hill QLD 4170
Phone: (07) 3390 4333
Fax: (07) 3390 7444

Ocean Hotels

Long Island Resort
Whitsunday QLD 4802
Reservations: 1800 075 125

Club Crocodile Airlie Beach
Shute Harbour Road, Whitsunday QLD
4802
Reservations: 1800 075 151
87 Lake Street, Cairns QLD 4870
Reservations: 1800 079 266

Hides Hotel, Cairns
87 Lake Street, Cairns Qld 4870
Reservations: 1800 079 266

Ocean Marine Tourism

Sunlover Reef Cruises
Reef Fleet terminal
1 Spence Street Cairns Qld 4870
Reservations: 1800 810 512

Website

www.oceancapital.com.au
www.oceanhotels.com.au
www.sunlover.com.au

Auditors

PKF Chartered Accountants
Level 6, AMP Place, 10 Eagle Street
Brisbane Qld 4000
Phone: (07) 3226 3555
Fax: (07) 3226 3500

Share Registry

Computershare Investor Services Pty Ltd
Level 19, 307 Queen Street
Brisbane Qld 4000
Phone: (07) 3237 2100
Fax: (07) 3237 2152

Stock Exchange Listing

The Australian Stock Exchange Ltd has granted quotation for all fully paid ordinary shares in the company

Chairman's Report

Dear Fellow Shareholder,

Ocean Capital delivered its fourth consecutive year of profit and share price growth. The group continues to deliver strong cash flows and increasing profits from its operations.

The full year profit before tax of \$3.01m (excluding the one off gain on acquisition) is a 32% increase on \$2.3m for the previous financial year.

The group presently consists of two divisions - Ocean Hotels and Ocean Marine Tourism.

The Ocean Hotels division was further supplemented by the acquisition of the Hides Hotel strata freehold in late June 2006. The division now consists of three substantial resorts/hotels based in the Whitsundays and Cairns with a total of 425 rooms. The division has continued to improve operating efficiencies, room rates and occupancy. For further details on the performance refer to the Overview of Results.

Ocean Marine Tourism, a new division of the group, was established by means of an acquisition in February 2006 of Sunlover Reef Cruises, based in Cairns. Sunlover is one of only three operators to have permanently moored pontoons on the Cairns Outer Great Barrier Reef. The Company transports around 70,000 passengers by means of two 400 seat catamarans to the outer barrier reef every year.

The Company continues to explore acquisition opportunities in the Tourism, Leisure and Services sectors. The portfolio of ungeared freehold assets as well as the excess cash on balance sheet of \$3.5m provides the Company with substantial capacity to make meaningful acquisitions. However, the Company continues to adopt a measured approach to acquisitions with a keen focus on value and strategic fit within the group.

In line with the improved earnings of the group and the critical mass of the operations the Company's share price has performed well over the past year, increasing from 31 cents in July 2005 to a new high of around 44 cents at present, representing a 42% appreciation which is well ahead of the ASX 200 performance.

As previously announced, Ocean Capital's Managing Director Phil Dickinson stepped down as a full time Managing Director of the Company effective 1 September 2006. We are delighted that Phil will remain an Executive Director of the Company on a part time basis.

Phil was a founding director of the Company almost 20 years ago. He was appointed Managing Director of the Company in 2002. During his tenure as MD he was instrumental in restructuring the group, streamlining operations and materially enhancing shareholder value. The Board would like to thank Phil for his leadership and loyalty.

The Board has decided at this time not to appoint a replacement MD. Given the strong performance and leadership of Jayne Pester, the Group General Manager of Ocean Hotels and Andrew Kennedy, the General Manager of Sunlover Reef Cruises, these two executives will report directly to the Board in the future.

I would like to thank the entire management team for their continued commitment and congratulate them on another strong result.

David R Kingston
CHAIRMAN

Overview of the Operations

Ocean Hotels

The Ocean Hotels division consists of three hotels based in Far North Queensland.

Long Island Resort

Long Island Resort in the Whitsundays is an award winning 160 room three and a half star island resort. Long Island is a large island mainly comprising National Park and is strategically located between Hamilton Island and Shute Harbour. Title to the 20 acres of the resort is perpetual leasehold.

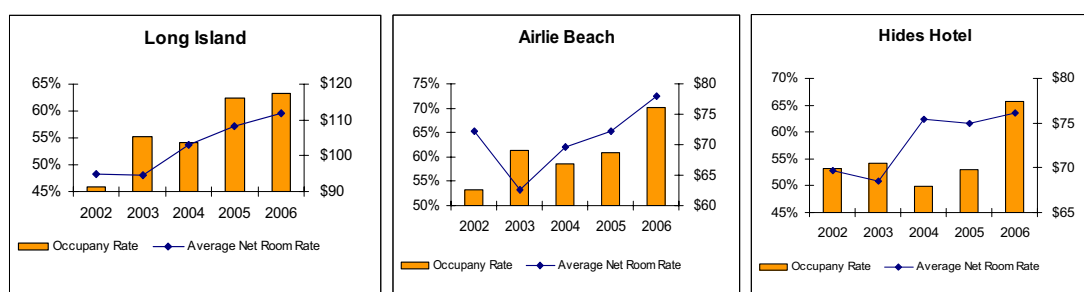
Airlie Beach Resort

The Airlie Beach property is a three and a half star resort located in the Whitsundays. It comprises 160 rooms surrounding 50 metres of free-form pool. Ocean Hotels owns the freehold title to the resort.

Hides Hotel

Hides Hotel consists of 105 rooms in a heritage listed building, originally constructed in 1885. The building was restored in 1997 whilst retaining its colonial charm. The hotel is located in the heart of the tourist district in Cairns. Ocean Hotels owns the strata title to the hotel.

Financial Performance of Ocean Hotels



Occupancies and net room rates at all three Ocean Hotel properties improved during the past financial year. Streamlined rate structures and price increases made a material contribution to the bottom line. Emphasis on internet distribution, group business and the support of wholesalers continued the positive trend in occupancies.

A continued focus on cost control delivered good margins. The loyalty and support of key staff ensured that the group continued to deliver high standards and a reliable experience.

The Airlie Beach Resort completed a range of renovations and upgrades to the rooms during the year. Long Island also refreshed the accommodation and opened a new beach bar and renovated pool area with an immediate positive effect on revenue.

Although discretionary spending has tightened, the sales team remains focused on new strategies and innovations to ensure momentum is maintained into the new financial year.

Ocean Marine Tourism

The Ocean Marine Tourism division consists of Sunlover Reef Cruises.

Sunlover Reef Cruises

Ocean Marine Tourism is a new division of the group established by an acquisition of Sunlover Reef Cruises in February 2006.

Sunlover is based in Cairns and has been a substantial player in the marine tourism industry for the past fourteen years. The business has two 400 seat catamarans that depart daily from Cairns to their pontoons based on the outer edge of the Great Barrier Reef. Sunlover Cruises currently employs 60 staff and transports approximately 70,000 passengers per annum to the outer barrier reef.

Post acquisition the business embarked on a restructure which involved a streamlining of the staff base, rationalisation of surplus assets and a refocussed emphasis on return on capital. In conjunction with these activities the Company commenced a refurbishment plan focussed on the primary infrastructure of the business.

Revised sales and marketing strategies have focussed on cost effectiveness, brand awareness and enhanced communication with its distribution network. In addition Sunlover has begun to benefit from the cross promotional opportunities available from the Ocean Hotels division.

Sunlover's focus on improving yield per passenger, combined with a reduced overhead structure is expected to deliver further profit growth in the new financial year.

Directors and Management

Name	Qualifications and Contribution
<p>David Kingston Non Executive Chairman</p>	<p>David is a qualified lawyer with a commerce degree and over 20 years of investment banking experience. David has led the turn around of the company over the past four years by selling non core assets, driving efficiency in the remaining businesses and buying new growth assets. As the company's largest shareholder he continues to dedicate a substantial proportion of his time to mentoring the management team and assessing acquisition opportunities.</p>
<p>Phillip Dickinson Executive Director</p>	<p>Phil has a degree in Engineering and has been an Executive Director of the group since 1987. He has been the Managing Director of the company since 2002 and recently stepped down to a part time executive director role effective 1 September 2006. Phil continues to play a key role in driving the strategy of the group and has a keen focus on the bottom line whilst ensuring that the group's assets are optimised.</p>
<p>Jayne Pester Executive Director & Group General Manager of Ocean Hotels</p>	<p>Jayne heads up the Ocean Hotels division. She has been with the company since 2003. Jayne is responsible for the ongoing growth in the hotel division coupled with a firm cost control framework. She leads a dedicated team of people which has delivered four years of occupancy and room rate increases.</p>
<p>Andrew Kennedy General Manager of Sunlover</p>	<p>Andrew is a chartered accountant and the head of Sunlover Reef Cruises. Andrew has been with Sunlover for the past three years and has been instrumental in streamlining the business and driving profitable growth.</p>

Overview of Results

Five Year Results Summary

Year End - June (\$ 000's)	2002	2003	2004	2005	2006
	AGAAP	AGAAP	AGAAP	AIFRS	AIFRS
Sale of Goods	18,422	18,184	17,469	18,751	24,205
Cost of Sales	4,609	4,486	4,313	5,279	6,244
Employee Costs	6,687	6,336	5,827	5,539	7,053
Other (net revenue & costs)	5,949	5,583	5,522	5,153	7,231
EBITD	1,177	1,779	1,807	2,780	3,677
EBITDA Margin	6%	10%	10%	15%	15%
Depreciation & Amortisation	1,481	719	628	670	804
EBI	(304)	1,060	1,179	2,110	2,873
EBIT Margin	n/	6%	7%	11%	12%
Interest Cost / (Revenue)	371	186	76	(171)	(137)
Profit / (loss) before Tax	(675)	874	1,103	2,281	3,010

The above five year results summary and track record (excluding one off items) demonstrates the following key milestones:

- In August of 2002 David Kingston was invited to join the board as Chairman after which he and Phil Dickinson led the rationalisation and rejuvenation of the company. At that time the business had three divisions – Tourism & Leisure / Leasing and Renting / Training. Both the Leasing & Renting and the Training divisions were earmarked for sale. These non core assets were sold in an orderly manner over the next two year period.
- During the rationalisation period, beginning in 2003 and completing in early 2005, management focussed on the three core resorts / hotels in the Whitsundays (Long Island and Airlie Beach) and Cairns (Hides). During this period each of the hotels materially improved both occupancy and room rates. This, combined with a constant focus on cost controls, had a substantial impact on the bottom line of the company.
- In 2006 the company actively embarked on an expansion drive which resulted in the acquisitions of both Sunlover Reef Cruises and the strata freehold of Hides Hotel.
- The contribution from Sunlover in 2006 was not significant as its acquisition was only completed in February 2006 and the Hides acquisition was only completed in late June 2006. Therefore the continued uplift in the earnings of the group was driven by the refinement of the operational performance of the hotel division.

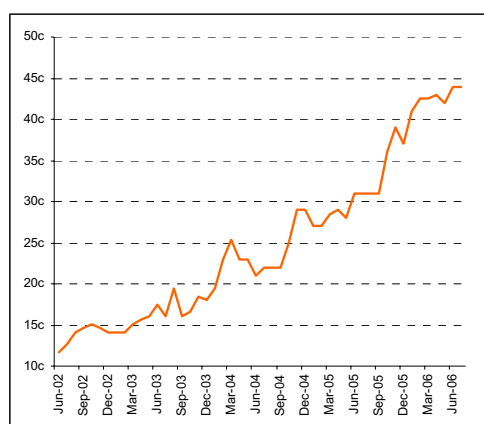
The company remains debt free and is actively reviewing further strategic acquisitions, however the Board remains focussed on adopting a value driven investment approach.

Looking Ahead

- The Company's tourism and leisure businesses continue to show resilience in the face of softer discretionary expenditure, increasing interest rates and higher fuel costs. The Company remains confident that it will be able to continue to grow earnings. The full year contribution from Sunlover in the new financial year, as well as the freehold contribution from Hides Hotel, are expected to significantly lift the 2006/07 full year profit before tax as reflected in the 2006/07 pre tax budgeted profit being set near the \$4m level.
- The Company continues to explore acquisition opportunities in the Tourism, Leisure and Services sectors. The portfolio of ungeared freehold assets as well as the excess cash on balance sheet of \$3.5m provides the Company with substantial capacity to make meaningful acquisitions. However the Company continues to adopt a measured approach to acquisitions with a keen focus on value and strategic fit within the group.

Share Price Performance

Ocean Capital has returned the following share price performance:



Period	Growth
June 02 to End of Dec 02 (Annualised)	41%
2003 Calendar Year	28%
2004 Calendar Year	61%
2005 Calendar Year	28%
2006 Calendar Year to Date (Annualised)	32%

- Adjusting for the Rights issue in August 2004 the share price has increased in excess of 340% since June 2002 through to July 2006 which equates to a 44% CAGR for the period.

Ocean Capital Limited

And Controlled Entities

ABN 68 010 715 901

30 June 2006

Financial Report

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**DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2006**

Your directors present the following report of the parent entity and its controlled entities for the year ended 30 June 2006.

1. OPERATING RESULTS

The profit of the Consolidated Entity for the year ended 30 June 2006 after providing for income tax amounted to \$2,246,395 (2004/2005 profit \$1,562,478).

2. DIVIDENDS

Directors have recommended that no dividend be paid for the current reporting period.

As recommended in last year's report, no dividend was paid out of profits of the previous reporting period.

3. PRINCIPAL ACTIVITIES

The principal activities of the parent entity are the operation of a resort at Airlie Beach and the investment in group entities. The principal activities of the Consolidated Entity involve the operation of a mainland tourism resort, an island resort, hotel accommodation and cruise operations.

There were no significant changes in the nature of the Consolidated Entity's principal activities during the reporting period other than the acquisition of Sunlover Cruises in Cairns on 31 January 2006 and the acquisition of the Hides Hotel building on 30 June 2006.

4. DIRECTORS' INFORMATION

The names and particulars of the directors of the company in office at any time during the year or since the end of the year of this report are:

Name of Director	Qualifications and Experience	Number of Directors' Meetings Eligible to Attend	Number of Directors' Meetings Attended
David R Kingston	Investment Banker B.Com., LL.B. Appointed 12 August 2002 Non Executive Chairman since 27 November 2002 Responsibilities include Finance and Acquisitions. Directorships in other listed entities: Southern Cross Broadcasting (Australia) Limited (from 1 October 2002 to date)	4	4
Phillip Dickinson	B.Eng(Mining), A.S.I.A. Executive Director from September 1987 until July 2002 and since 1 September 2006. Managing Director from August 2002 until August 2006. Special responsibilities: Operations. Directorships in other listed entities: Nil	4	4
Jayne Pester	Appointed 26 November 2003 Special responsibilities: Whitsunday operations Directorships in other listed entities: Nil	4	4
Andrew Kennedy	B. Bus., Chartered Accountant Appointed 19 July 2006 as director of Dectar Pty Ltd Special responsibilities: Sunlover Reef Cruises Directorships in other listed entities: Nil	-	-

DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2006

4. DIRECTORS' INFORMATION (continued)

David Ronald Kingston and his associates, Granite Ridge Pty Ltd, Sun-2 Pty Ltd and Lizold Pty Ltd, have a relevant interest within the meaning of the Corporation Act 2001 in 53,497,173 shares in the company.

Phillip Dickinson is personally entitled to 1,610,243 shares in the company. He has a relevant interest in a further 1,000,000 shares in the company owned by the Dickinson Group Superannuation fund of which he is a trustee.

Jayne Pester is personally entitled to 55,600 shares in the company. She has entitlement to options to acquire a further 325,000 shares in the company.

5. COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Kevin J Sheppard - B.Bus (Acctcy), Certified Practising Accountant. Mr Sheppard has provided services to the company for the past 19 years in the accounting and taxation areas of the group and was appointed company secretary on 7 September 1987.

6. REVIEW OF OPERATIONS

Occupancies and net room rates at all three Ocean Hotel properties improved during the past financial year. Streamlined rate structures and price increases made a material contribution to the bottom line. A continued focus on cost control delivered good margins. The loyalty and support of key staff ensured that the group continued to deliver high standards and a consistent guest experience. A range of renovations and upgrades were affected at the Airlie Beach and Long Island resorts which have had a positive affect on revenues.

A new division of the group – Ocean Marine Tourism was established by the acquisition of Sunlover Reef Cruises in February 2006. Since acquisition the business embarked on a restructure involving the streamlining of the staff base, rationalising of surplus assets, and refocused emphasis on return of capital. A small contribution to overall group profit has been achieved since acquisition.

Overall the company was successful in further improving efficiencies within its operations during the 2005/06 year. As well as an increase in sales revenues of 29.1%, employee expenses expressed as a percentage of revenue from operating activities were reduced from 29.9% to 28.8%.

7. RESULTS OF OPERATIONS

The Consolidated Entity achieved profit from normal business trading activities before tax, interest and depreciation of \$3,531,551 which is an improvement of 22.6% on the previous year. Interest charges were \$2,748 (last year nil) and depreciation and amortisation expenses were \$804,494 (last year \$659,289)

8. FINANCIAL POSITION

The net assets of the consolidated entity have increased by \$9,312,905 from \$18,917,289 at 30 June 2005 (\$14,970,163 recorded under GAAP) to \$28,230,194 at 30 June 2006. This increase has largely resulted from the following factors:

- Improved operating performance of the group, operating profit of \$2,246,395
- New share issues raising \$7,236,211; and
- Deferred tax asset now included under AIFRS \$3,233,168

DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2006

8. FINANCIAL POSITION (continued)

The consolidated entity has maintained a strong financial position and has been effectively debt free throughout the financial year. Although the group's working capital, being current assets less current liabilities, has decreased marginally from \$1,934,778 in 2005 to \$1,659,447 in 2006, at the end of the financial year the consolidated entity held net cash assets of \$3,514,232 (last year \$2,661,304).

The directors believe the group is in a strong and stable financial position to further expand and grow its current operations.

9. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the group occurred during the financial year:

On 31 January 2006 the company effected the acquisition of Sunlover Cruises in Cairns at a cost of \$8,101,230.

On 30 June 2006 the company effected the purchase of Hides Hotel in Cairns at a price of \$7,500,000 plus stamp duty and purchase costs. Part of the purchase price was satisfied by the issue of 16,000,000 new shares in the company at an issued price of 42 cents.

10. AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

11. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Company's tourism and leisure businesses continue to show resilience in the face of softer discretionary expenditure, increasing interest rates and higher fuel costs. The Company remains confident that it will be able to continue to grow earnings. The full year contribution from Sunlover Reef Cruises in the new financial year as well as the freehold contribution from Hides Hotel are expected to lift the 2006/07 full year profits before tax significantly.

The sales and marketing effort will continue to remain focused on new strategies and innovations to ensure the momentum of revenue gains is maintained.

The company plans to spend in the order of \$800,000 in its hotels and resorts division as capital improvements during 2007 in order to modify and improve the assets as well as to enhance the guest experience. It is expected that this additional expenditure will serve to support and grow current business levels.

A refurbishment plan will continue at Sunlover Reef Cruises and, with a focus on improved yield per passenger, reduced overheads, and a benefit from association with the hotels division, this business is expected to deliver further profit growth.

The company will continue to seek out acquisition opportunities in the tourism, leisure and service sectors but will proceed with a measured approach and a keen focus on value.

DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2006

12. REMUNERATION REPORT

This report details the nature and amount of remuneration of each director of Ocean Capital Limited and for the executives receiving the highest remuneration.

Remuneration policy:

The company's remuneration policy has been designed to align directors and management objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific longer term incentives based on key performance areas affecting the consolidated entity's financial results. The board believes the remuneration policy to be appropriate to attract and retain the best persons to run and manage the consolidated entity as well as create a common interest in goals between directors, managers and shareholders.

The remuneration structure for executive directors seeks to emphasise payment for results through providing various reward schemes such as the incorporation of incentive payments based on the achievement of sales and profit targets. The objective of the reward schemes is to reinforce the short and long-term goals of the company including long term growth in shareholder wealth.

Remuneration of both executive and non executive directors comprise fees determined having regard to industry practice, the need to obtain appropriately qualified independent persons and consideration of costs for persons of similar levels of responsibility. Fees do not include any non monetary elements, other than options provided during the year. Fees for the non executive chairman of directors are not linked to the performance of the consolidated entity.

Performance Based Remuneration:

As part of executive director remuneration packages there is a performance-based component consisting of key performance indicators (KPI's). The intention of this program is to facilitate goal reinforcement between executive directors with that of the businesses and shareholders. The KPI's are set annually and measures are specifically tailored to the areas each executive director and manager is involved in and has a level of control over. The KPI's target areas the board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long term goals. The level set for each KPI is based on budgeted figures for the group as well as past performance and industry standards.

Performance in relation to the KPI's is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPI's achieved. Following the assessment, the KPI's are reviewed in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPI's are set for the following year. The amount of performance based incentives paid or payable to Directors Phillip Dickinson and Jayne Pester are included in the tables below.

Relationship between remuneration policy and company performance:

The remuneration policy has been tailored to increase the common interest of shareholders and directors and executives being improvement of shareholder wealth. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to directors and management to encourage the alignment of personal and shareholder interests. The company believes this policy to have been effective in increasing shareholder wealth over the past three years from an increase in share price and net asset backing per share.

The following table shows the gross revenue, profits and adjusted comparative profits for the listed entity as well as the share price at the end of the respective financial years. Analysis of the actual figures shows an increase in profits each year as well as an increase in share price each year. The board is of the opinion that these results can be attributed in part to the foregoing remuneration policy and is satisfied that this continued improvement has lead to increased shareholder wealth over the last four years.

	2003*	2004*	2005	2006
Revenue	20.1m	18.7m	18.9m	24.5m
Net Profit before tax	0.874m	1.103m	2.281m	3.150m
Net Profit before tax (adjusted for one off items)	0.482m	0.764m	2.281m	3.010m
Share Price at year end	18 cents	21 cents	31 cents	44 cents

* Numbers prepared under AGAAP and have not been restated to AIFRS

DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2006

12. REMUNERATION REPORT (continued)

Employment contracts of Directors and Senior Executives:

The employment conditions of the executive director, Phillip Dickinson, and executive director Jayne Pester are formalised in contracts of employment. Other than these two executive directors, executives are permanent employees of Ocean Capital Limited or wholly owned subsidiaries. Mr Dickinson is employed as executive director under a fixed two year contract which commenced on 1 September 2006 and expires on 31 August 2008. He was previously employed as managing director from 30 August 2004 until 30 August 2006. Ms Pester is employed under a contract commencing from 27 September 2004 and extending until 30 June 2007.

The employment contracts generally stipulate a one month resignation period. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the case of Jayne Pester and other key management personnel, any options not exercised before or on the date of termination will lapse within 30 days.

- (a) Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mr David R Kingston	Chairman - Non-executive
Mr Phillip Dickinson	Director - Executive
Ms Jayne E Pester	Director - Executive
Mr Brent P Cooper	Sales and Marketing Manager
Mr Martin Nel	Mergers and Acquisitions
Mr Andrew Kennedy	General Manager - Sunlover Cruises (appointed director of Dectar 19.7.2006)
Mr Kevin J Sheppard	Company Secretary
Mr Richard D Murphy	Financial Controller (resigned 12 October 2005)

- (b) **2006 Key Management Personnel**

	Short-term Benefits			Post-employment	Share	Total	Performance
	Cash	Cash	Other	benefits	based		
	Salary	Incentive		Superannuation	Options	\$000	%
	\$000	\$000	\$000	\$000	\$000	\$000	
Mr David R Kingston	-	-	52	-	-	52	-
Mr Phillip Dickinson	108	6	-	52	-	166	3.62
Ms Jayne E Pester	132	12	-	11	-	155	7.75
Mr Brent Cooper	90	5	5	8	-	108	4.63
Mr Martin Nel	93	-	-	9	-	102	-
Mr Andrew Kennedy	37	-	-	3	-	40	-
Mr Kevin Sheppard	-	-	107	-	-	107	-
Mr Richard Murphy*	28	-	-	2	-	30	-
	488	23	164	85	-	760	

* resigned 12 October 2005

DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2006

12. REMUNERATION REPORT (continued)

(b) Key Management Personnel (continued)

2005 Key Management Personnel

	Short-term Benefits			Post-employment benefits	Share based payment	Total	Performance related
	Cash Salary \$000	Cash Incentive \$000	Other \$000	Superannuation \$000	Options \$000	\$000	%
Mr David Kingston	-	-	30	-	-	30	-
Mr Phillip Dickinson	79	35	-	31	18	163	32.62
Ms Jayne E Pester	99	15	-	9	19 *	142	24.28
Mr Brent Cooper	71	4	5	6	15 *	101	17.47
Mr Martin Nel	51	-	-	5	68	124	-
Mr Andrew Kennedy	-	-	-	-	-	-	-
Mr Kevin Sheppard	-	-	86	-	-	86	-
Mr Richard Murphy	66	4	-	7	10 *	87	18.68
	366	58	121	58	130	733	

Note that the term, Key Management Personnel (KMP), refers to executive directors, non-executive directors and senior leadership executives. It also captures the five highest remunerated executives in the parent company and the consolidated entity for both the 2005 and 2006 financial years.

Certain directors are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. Entitlements to bonuses or grants for the year have been fully paid or vested (100%) during the year. No incentive amounts have been forfeited because service and performance criteria have not been met during the year. At the date of this report there are no additional incentives in place which will become payable in future years.

* The share option payments shown above in respect of J Pester, B Cooper and R Murphy have been earned by performance during the 2005 year and, as such, have been accrued as a cost applicable to the 2005 year at year end even though options were not issued until the 2006 year and following shareholder approval in November 2005 in respect of director J Pester.

(c) Share Options:

Options are issued to key management personnel as part of their remuneration. The options are issued based on performance criteria and, in the case of Ms J E Pester, have been granted as a result of achieving the KPI that the profit for the consolidated entity (excluding any one off non trading items) exceeded the budgeted profit target for the period 1 November 2004 to 30 June 2005. Shareholder approval is required for options issued to directors and following shareholder approval 325,000 options were issued to Ms J E Pester at an exercise price of 30 cents. The options are exercisable on or before 1 December 2007. Details of options issued to key management personnel as part of remuneration applicable to the financial year are:

Parent Entity	Number Granted as part of remuneration	Granted as part of remuneration	Total remuneration represented by options	Options Exercised	Options Lapsed	Total
		\$	%	\$	\$	\$
2006:						
Jayne Pester	nil	nil	nil	nil	nil	Nil

**DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2006**

12. REMUNERATION REPORT (continued)

(c) Share Options (continued)

During the year ended 30 June 2006, and up to the date of this report, the following ordinary shares of Ocean Capital Limited were issued on the exercise of options issued under share option deeds. No amounts are unpaid on any of the shares.

Exercise Date	Exercise Price	Number of Shares Issued
30 September 2005	14.4 cents	1,000,000
11 November 2005	30.0 cents	175,000
8 March 2006	30.0 cents	500,000
22 September 2006	30.0 cents	500,000

Unissued ordinary shares for which options are outstanding at the date of this report are as follows:

Parent Entity	Grant Date	Date of Expiry	Exercise Price	Number Under Option
Ms J E Pester	15 August 2005	1 December 2007	30 cents	325,000
Mr B P Cooper	15 August 2005	1 December 2007	30 cents	250,000

No director entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of any other body corporate. The above options for shares were earned in respect of performance during the 2005 year.

13. AUDITOR INDEPENDENCE DECLARATION

The Auditor Independence Declaration under Section 307C of the Corporations Act 2001 forms part of this directors report and is attached on page 17.

14. INDEMNIFICATION OF OFFICERS

During or since the end of the reporting period, the parent entity has paid premiums in respect of a contract insuring all the directors and officers of Ocean Capital Limited against all claims, proceedings, liabilities and expenses incurred in their job as directors of the company except where the liability arises out of conduct involving a wilful breach of duty or where the liabilities have been imposed by law or for any legal action or litigation outside the jurisdiction of the contract. The total amount of the insurance contract premiums paid was \$15,289 (2005: \$19,112).

15. NON- AUDIT SERVICES

The following amounts were paid or are payable for non-audit services provided by:

PKF Chartered Accountants:

Review of tax calculations of deferred tax assets under AIFRS	5,140
Discussions in relation to AIFRS	1,330

PKF Investment Services Pty Ltd

Preparation of independent experts report in relation to Hides Acquisition	<u>8,500</u>
	<u>\$14,970</u>

The directors are satisfied that the provision of non-audit services during the year by the auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The directors are satisfied that the provision of the non-audit services did not compromise the auditor independence requirements of the Corporations Act because the services were provided by persons who were not involved in the audit and PKF has appropriate safeguards in place to preserve independence which safeguards have been disclosed to and accepted by members of the Audit Committee.

**DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2006**

16. AUDIT COMMITTEE

At the date of this report the consolidated entity had an audit committee consisting of non executive director David Kingston as well as external accountant Kevin Sheppard. The committee's responsibilities are to oversee the existence and maintenance of internal controls and accounting systems, oversee the financial reporting process, nominate external auditors and review the existing external audit arrangements.

Name of Member	Qualifications	Number of Committee Meetings Eligible to Attend	Number of Committee Meetings Attended
David R Kingston	Investment Banker B.Com., LL.B. Non Executive Chairman of Directors	3	3
Kevin J Sheppard	B. Bus (Acctcy), CPA Company Secretary	3	3

17. PERFORMANCE IN RELATION TO ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to significant environmental regulation under the law of the Commonwealth and State. There has been no matter either during or since the end of the reporting period which, in the opinion of the directors, would give rise to any material conflict with the provisions of the existing environmental regulations.

18. ROUNDING OF AMOUNTS

The company is an entity to which ASIC Class Order 98/100 applies. Accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Directors.

Dated at Brisbane this 29th day of September 2006.



**PHILLIP DICKINSON
EXECUTIVE DIRECTOR**

AUDITOR INDEPENDENCE DECLARATION

To the Directors of Ocean Capital Limited

As lead engagement partner for the audit of Ocean Capital Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



PKF
Chartered Accountants



C G Bellamy
Partner

Dated at Brisbane this 29th day of September 2006.

**INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	Consolidated Entity		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Revenues from ordinary activities	3	24,491	18,922	1,128	1,593
Advertising & promotions		(862)	(701)	-	-
Amortisation		(36)	-	-	-
Bank fees & charges		(98)	(105)	(9)	(6)
Cost of sales		(6,244)	(5,279)	-	-
Commission and agents fees		(1,423)	-	-	-
Depreciation		(768)	(670)	(233)	(228)
Directors costs		(318)	(298)	(59)	(30)
Employee related expenses		(7,053)	(5,539)	(109)	(174)
Finance costs		(3)	-	(151)	-
Freight & cartage		(173)	(171)	-	-
Insurance		(393)	(326)	-	-
Rental expense on operating leases		(969)	(1,170)	(15)	-
Repairs & replacements		(900)	(564)	-	-
Telephone, electricity, gas & rates		(941)	(836)	-	-
Other expenses from ordinary activities		(1,300)	(982)	(439)	(394)
		3,010	2,281	113	761
Gain on business combination	11,23	140	-	-	-
Profit/(loss) from ordinary activities before income tax	4	3,150	2,281	113	761
Income tax (expense)/benefit relating to ordinary activities	5	(904)	(718)	(34)	(296)
Net profit/(loss) from continuing operations		2,246	1,563	79	465
Overall operations:					
Basic earnings per share (cents per share)	20	3.576	3.562		
Diluted earnings per share (cents per share)	20	3.556	3.533		
Dividends per share (cents per share)		-	-	-	-

The above Income Statements are to be read in conjunction with the attached Notes.

BALANCE SHEETS
AS AT 30 JUNE 2006

	Notes	Consolidated Entity		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
CURRENT ASSETS					
Cash and cash equivalents	6	3,514	2,661	1,338	2,385
Trade and other receivables	7	1,463	821	8,937	2,640
Inventories	8	254	260	-	-
Other current assets	9	339	99	-	2
TOTAL CURRENT ASSETS		5,570	3,841	10,275	5,027
NON CURRENT ASSETS					
Property, plant & equipment	10	23,668	13,399	4,481	4,520
Other financial assets	11	-	-	3,783	376
Deferred tax asset	5	3,233	3,619	2,302	2,763
TOTAL NON CURRENT ASSETS		26,901	17,018	10,566	7,659
TOTAL ASSETS		32,471	20,859	20,841	12,686
CURRENT LIABILITIES					
Trade and other payables	13	3,241	1,694	3,143	2,484
Short term borrowings	14 (a)	76	75	46	75
Current tax liability		378	-	378	-
Provisions	15 (a)	216	137	5	4
TOTAL CURRENT LIABILITIES		3,911	1,906	3,572	2,563
NON CURRENT LIABILITIES					
Long term borrowings	14 (b)	39	-	-	-
Provisions	15 (b)	291	36	-	-
TOTAL NON CURRENT LIABILITIES		330	36	-	-
TOTAL LIABILITIES		4,241	1,942	3,572	2,563
NET ASSETS		28,230	18,917	17,269	10,123
EQUITY					
Contributed equity	16	20,543	13,476	20,543	13,476
Accumulated profits (losses)		7,687	5,441	(3,274)	(3,353)
TOTAL EQUITY		28,230	18,917	17,269	10,123

The above Balance Sheets are to be read in conjunction with the attached Notes.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2006**

Consolidated Entity	Share Capital \$000	Retained Earnings \$000	Total \$000
Balance at 1 July 2004	13,405	3,878	17,283
Profit attributable to members of parent entity	-	1,563	1,563
Shares issued during the period	4,490	-	4,490
Transaction costs of share issue	(222)	-	(222)
Shares bought back during the period	(4,289)	-	(4,289)
Transaction costs of share buyback	(20)	-	(20)
Issued capital on recognition of bonus element of options	112	-	112
Subtotal this period	13,476	5,441	18,917
Dividends paid or provided for	-	-	-
Balance at 30 June 2005	13,476	5,441	18,917
Profit attributable to members of parent entity	-	2,246	2,246
Shares issued during the period	7,067	-	7,067
Subtotal this period	7,067	2,246	9,313
Dividends paid or provided for	-	-	-
Balance at 30 June 2006	20,543	7,687	28,230
Parent Entity	Share Capital \$000	Retained Earnings/ (Accumulated losses) \$000	Total \$000
Balance at 1 July 2004	13,405	(3,818)	9,587
Profit attributable to members of parent entity	-	465	465
Shares issued during the period	4,490	-	4,490
Transaction costs of share issue	(222)	-	(222)
Shares bought back during the period	(4,289)	-	(4,289)
Transaction costs of share buyback	(20)	-	(20)
Issued capital on recognition of bonus element of options	112	-	112
Subtotal this period	13,476	(3,353)	10,123
Dividends paid or provided for	-	-	-
Balance at 30 June 2005	13,476	(3,353)	10,123
Profit attributable to members of parent entity	-	79	79
Shares issued during the period	7,067	-	7,067
Subtotal this period	7,067	79	7,146
Dividends paid or provided for	-	-	-
Balance at 30 June 2006	20,543	(3,274)	17,269

The above Statements of Changes in Equity are to be read in conjunction with the attached Notes.

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	Consolidated Entity		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers and others		27,048	20,701	2,942	2,122
Payments to suppliers, employees and others		(21,648)	(16,555)	(421)	(294)
Interest received		137	171	111	163
Finance costs paid		(3)	-	(151)	-
GST paid		(1,000)	(953)	30	(50)
Net Cash provided by (used in) operating activities	2C	4,534	3,364	2,511	1,941
CASH FLOW FROM INVESTING ACTIVITIES					
Payments for property plant & equipment		(2,957)	(1,259)	(195)	(150)
Proceeds from sale of property plant & equipment		114	-	1	-
Payment for subsidiaries net of cash acquired		(1,123)	-	(8,102)	-
Net cash provided by (used in) investing activities		(3,966)	(1,259)	(8,296)	(150)
CASH FLOW FROM FINANCING ACTIVITIES					
Repayment of borrowings		(32)	-	-	-
Proceeds from issue of shares		346	4,490	346	4,490
Capital raising costs		-	(222)	-	(222)
Cost of share buy back		-	(4,289)	-	(4,289)
Share buy back costs		-	(20)	-	(20)
Proceeds from subsidiary		-	-	5,500	-
Loan to subsidiary		-	-	(1,079)	-
Net cash provided by (used in) financing activities		314	(41)	4,767	(41)
NET INCREASE/(DECREASE) IN CASH HELD		882	2,064	(1,018)	1,750
Cash and cash equivalents at beginning of year		2,586	522	2,310	560
CASH AND CASH EQUIVALENTS AT END OF YEAR	1C	3,468	2,586	1,292	2,310

The above Statements of Cash Flows are to be read in conjunction with the attached notes.

**NOTES TO STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006**

1C Reconciliation of cash and cash equivalents.

For the purposes of this statement of cash flows, cash includes -

- (i) cash on hand and in at call deposits with banks or financial institutions, net of bank overdrafts; and,
- (ii) investments in money market instruments with less than 14 days to maturity.

Cash at the end of the year is shown in the balance sheet as: -

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Cash on hand and in banks	3,514	2,661	1,338	2,385
Bank overdraft	(46)	(75)	(46)	(75)
	<hr/>	<hr/>	<hr/>	<hr/>
	3,468	2,586	1,292	2,310
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

2C Reconciliation of cash flow from operations with profit from ordinary activities after income tax:

Profit from ordinary activities after income tax	2,246	1,563	79	465
	<hr/>	<hr/>	<hr/>	<hr/>
(a) Non cash flows in profit from ordinary activities:				
Amortisation	36	-	-	-
Depreciation	768	659	233	228
Increase/(decrease) in provision – doubtful debts	(31)	(125)	-	(10)
(Gain)/loss on sale of fixed assets	(51)	-	(1)	-
Movement in Deferred Tax Asset	527	841	461	408
	<hr/>	<hr/>	<hr/>	<hr/>
Total non cash flows	1,249	1,375	693	626
	<hr/>	<hr/>	<hr/>	<hr/>
(b) Changes in assets and liabilities:				
(Increase)/decrease in trade debtors	333	69	(85)	261
(Increase)/decrease in receivables – related entities	62	-	1,500	624
(Increase)/decrease in inventories	60	(38)	-	63
(Increase)/decrease in prepayments	(151)	(5)	2	35
(Increase)/decrease in short term security deposits	3	3	-	6
Increase/(decrease) in trade creditors	775	254	250	(175)
Increase/(decrease) in loans from related entities	-	-	511	448
Increase/(decrease) in GST payable	(18)	19	(13)	(74)
Increase/(decrease) in unearned income	(25)	130	-	(195)
Increase/(decrease) in other creditors	(161)	(41)	-	(41)
Increase/(decrease) in provisions	4	18	-	(72)
Increase/(decrease) in amount payable to directors	-	17	-	(30)
Increase/(decrease) in employee benefits	(81)	-	1	-
Gain on acquisition of subsidiaries	(140)	-	-	-
Head entity assumption of subsidiaries tax balances	-	-	(805)	-
Increase/(decrease) in current tax	378	-	378	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Movements	1,039	426	1,739	850
	<hr/>	<hr/>	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,534	3,364	2,511	1,941
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006**

- 3C Cash not available for use: An amount of \$25,000 (2005: \$25,000) is not available for use in day to day operations as it is supporting a bank guarantee for electricity supply. A further amount of \$210,000 is not available for use in day to day operations as it is supporting a bank guarantee in favour of the Great Barrier Reef Marine Park Authority in respect of reef pontoon decommissioning.
- 4C Cash Flow information in relation to the acquisition of Controlled Entities is disclosed in Note 23 to the Accounts.
- 5C Non cash finance and investing activities

During the year the consolidated entity acquired motor vehicles with an aggregate fair value of \$101,339 by means of finance lease.

On 30 June 2006, the consolidated entity acquired a building for a total consideration of \$7,799,533. Of this consideration, \$6,720,000 was paid through the issue of 16,000,000 shares at 42 cents in the parent entity.

These transactions have not been reflected in the Statements of Cash Flows.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted by Ocean Capital Limited are stated in order to assist in general understanding of the financial statements.

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

The financial report covers the Consolidated Entity of Ocean Capital Limited and controlled entities, and Ocean Capital Limited as an individual parent entity. Ocean Capital Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Ocean Capital Limited and controlled entities, and Ocean Capital Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The financial report was authorised for issue on 29th September 2006 by the directors. The financial report is presented in Australian Dollars.

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

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Ocean Capital Limited and controlled entities and Ocean Capital Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied – refer Note 2 (f). These consolidated accounts are the first financial statements of Ocean Capital Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) Principles of Consolidation

A controlled entity is any entity Ocean Capital Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 23 to the financial statements. All controlled entities have a June financial year-end. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(b) Property, Plant and Equipment

Property, plant and equipment are carried at cost, less where applicable, any accumulated depreciation or amortisation.

The depreciable amount of all fixed assets including building, but excluding freehold land, are depreciated over the useful lives to the Consolidated Entity on a straight line method and commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The average depreciation rates used for each class depreciable assets are: -

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
General Plant & Equipment	10% to 20%
Computer Equipment	20% to 40%
Motor Vehicles	12.5% to 15%
Vessels and Reef Pontoons	10% to 20%

The gain or loss on disposal of all fixed assets, including any re-valued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and proceeds of disposal, and is recognised as income or expense of the Consolidated Entity in the year of disposal and included in profit from ordinary activities before income tax of the Consolidated Entity in the year of disposal.

(c) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(d) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(d) Income Tax (continued)

Ocean Capital Limited and its wholly owned subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Ocean Capital Limited is the head company and is responsible for recognising the current and deferred tax assets arising from unused tax losses for the tax consolidated group. Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand-alone taxpayer' approach. Any current tax liabilities/assets and deferred tax assets arising from unused tax losses are assumed by the head entity and are recognised by the company as an equity contribution or distribution.

The group notified the Australian Taxation Office that it had formed a tax consolidated group from 1 July 2003. The consolidated entity has no tax sharing arrangements between the head company and its subsidiaries as at the end of the financial year.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(f) Inventories

Goods for resale are valued at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at balance date using the weighted average method.

(g) Intangible Assets – Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

(h) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Liabilities are determined after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures. Related on costs are included.

Contributions are made by the Consolidated Entity to employee superannuation funds (accumulation funds) and are charged as expenses when incurred.

(i) Other Financial Assets - Non Current

Investments in wholly owned subsidiary companies are shown at cost.

(j) Interest Bearing Liabilities

Secured and unsecured interest bearing liabilities are carried at their principal amount plus any accrued interest.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(k) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Rental revenue is recognised in accordance with the terms of the respective rental agreements. All revenue is stated net of the amount of goods and services tax (GST).

(l) Finance costs

Finance costs including interest paid are recognised as an expense in the period in which they are incurred.

(m) Receivables

Trade debtors are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full amount is no longer probable. Trade debts are usually settled on thirty day terms.

(n) Business Combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Combined Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable assets of the subsidiary acquired, the difference is recognised directly in the Income Statement, but only after a reassessment of the identification measurement of the net assets acquired.

(o) Provision for Pontoon Decommissioning

In accordance with applicable legal requirements, a provision for site restoration in respect to the decommissioning of the pontoons in the Great Barrier Reef is recognised. The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

(q) Comparative figures

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

(r) Rounding of Amounts

The parent entity has applied the relief available under ASIC Class Order 98/100 and accordingly, amounts in the financial report have been rounded off to the nearest \$1,000.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

2. FIRST TIME ADOPTION OF AIFRS

(a) Reconciliation of Equity at 1 July 2004

		Consolidated			Parent		
	Note	AGAAP 1 JULY 2004 \$000	Effect of Transition to Australian Equivalents to IFRS \$000	AIFRS 1 JULY 2004 \$000	AGAAP 1 JULY 2004 \$000	Effect of Transition to Australian Equivalents to IFRS \$000	AIFRS 1 JULY 2004 \$000
Current Assets							
Cash and cash equivalents		941	-	941	684	-	684
Trade and other receivables		765	-	765	3,515	-	3,515
Inventories		222	-	222	63	-	63
Other		97	-	97	43	-	43
Total Current Assets		2,025	-	2,025	4,305	-	4,305
Non-Current Assets							
Other financial assets		-	-	-	-	-	-
Property, plant and equipment	(iii)	12,471	339	12,810	4,598	-	4,598
Deferred tax assets	(i)	-	4,337	4,337	-	3,435	3,435
Total Non-Current Assets		12,471	4,676	17,147	4,598	3,435	8,033
Total Assets		14,496	4,676	19,172	8,903	3,435	12,338
Current Liabilities							
Payables		1,315	-	1,315	2,551	-	2,551
Interest-bearing liabilities		419	-	419	124	-	124
Provisions		127	-	127	54	-	54
Total Current Liabilities		1,861	-	1,861	2,729	-	2,729
Non-Current Liabilities							
Provisions		28	-	28	22	-	22
Total Non-Current Liabilities		28	-	28	22	-	22
Total Liabilities		1,889	-	1,889	2,751	-	2,751
Net Assets		12,607	4,676	17,283	6,152	3,435	9,587
Equity							
Share Capital	(ii)	13,348	57	13,405	13,348	57	13,405
Accumulated profits (losses)		(741)	4,619	3,878	(7,196)	3,378	(3,818)
Total Equity		12,607	4,676	17,283	6,152	3,435	9,587

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

2. FIRST TIME ADOPTION OF AIFRS (continued)

(b) Reconciliation of Equity at 30 June 2005

		Consolidated			Parent		
		AGAAP 30 JUNE 2005	Effect of Transition to Australian Equivalents to IFRS	AIFRS 30 June 2005	AGAAP 30 JUNE 2005	Effect of Transition to Australian Equivalents to IFRS	AIFRS 30 June 2005
	Note	\$000	\$000	\$000	\$000	\$000	\$000
Current Assets							
Cash and cash equivalents		2,661	-	2,661	2,385	-	2,385
Trade and other receivables		821	-	821	2,640	-	2,640
Inventories		260	-	260	-	-	-
Other		99	-	99	2	-	2
Total Current Assets		3,841	-	3,841	5,027	-	5,027
Non-Current Assets							
Other financial assets	(i)	-	-	-	-	376	376
Property, plant and equipment	(iii)	13,071	328	13,399	4,520	-	4,520
Deferred tax assets	(i)	-	3,619	3,619	-	2,763	2,763
Total Non-Current Assets		13,071	3,947	17,018	4,520	3,139	7,659
Total Assets		16,912	3,947	20,859	9,547	3,139	12,686
Current Liabilities							
Payables	(ii)	1,694	-	1,694	2,484	-	2,484
Other financial liabilities		75	-	75	75	-	75
Provisions		137	-	137	4	-	4
Total Current Liabilities		1,906	-	1,906	2,563	-	2,563
Non-Current Liabilities							
Provisions		36	-	36	-	-	-
Total Non-Current Liabilities		36	-	36	-	-	-
Total Liabilities		1,942	-	1,942	2,563	-	2,563
Net Assets		14,970	3,947	18,917	6,984	3,139	10,123
Equity							
Share Capital	(ii)	13,307	169	13,476	13,307	169	13,476
Accumulated profits (losses)		1,663	3,778	5,441	(6,323)	2,970	(3,353)
Total Equity		14,970	3,947	18,917	6,984	3,139	10,123

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

2. FIRST TIME ADOPTION OF AIFRS (continued)

(c) Reconciliation of Profit or Loss for the year ended 30 June 2005

		Consolidated			Parent		
		AGAAP	Effect of	AIFRS	AGAAP	Effect of	AIFRS
		30 JUNE	Transition	30 June	30 JUNE	Transition	30 June
		2005	to	2005	2005	to	2005
			Australian			Australian	
			Equivalents			Equivalents	
			to IFRS			to IFRS	
	Note	\$000	\$000	\$000	\$000	\$000	\$000
Revenues from ordinary activities		18,922	-	18,922	1,593	-	1,593
Advertising & promotions		(701)	-	(701)	-	-	-
Bank fees		(105)	-	(105)	(6)	-	(6)
Borrowing costs		-	-	-	-	-	-
Cost of sales		(5,279)	-	(5,279)	-	-	-
Depreciation	(iii)	(659)	(11)	(670)	(228)	-	(228)
Directors costs		(298)	-	(298)	(30)	-	(30)
Employee related costs	(ii)	(5,427)	(112)	(5,539)	(62)	(112)	(174)
Freight and cartage		(171)	-	(171)	-	-	-
Insurance		(326)	-	(326)	-	-	-
Rent		(1,170)	-	(1,170)	-	-	-
Repairs & replacements		(564)	-	(564)	-	-	-
Telephone, electricity & rates		(836)	-	(836)	-	-	-
Other expenses from ordinary activities		(982)	-	(982)	(394)	-	(394)
Profit (loss) from ordinary activities before income tax		2,404	(123)	2,281	873	(112)	761
Income tax expense relating to ordinary activities	(i)	-	(718)	(718)	-	(296)	(296)
Net profit (loss) attributable to members of the company		2,404	(841)	1,563	873	(408)	465

(d) Reconciliation of cashflow statements for the year ended 30 June 2005:

The adoption of AIFRS has not resulted in any material adjustments to the Statements of Cashflows.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

2. FIRST TIME ADOPTION OF AIFRS (continued)

(e) Reconciliation of conversion of accumulated profits opening balance at date of conversion

	Consolidated 30 June 2005	Parent 30 June 2005
Accumulated Profits (Losses) under GAAP	\$000	\$000
Opening balance 1 July 2004	(741)	(7,196)
Add/(subtract) adjustment to retained earnings		
Recognition of tax losses at 1 July 2004	3,435	3,435
Recognition of expense for employee option costs (ii)	(57)	(57)
Recognition of tax asset - additional building depreciation (i)	848	-
Recognition of tax asset – accruals and provisions (i)	53	-
Fair value adjustment for property plant & equipment (iii) arising under business combinations	340	-
Accumulated Profits under AIFRS opening balance 1 July 2004	3,878	(3,818)
Add net profit after tax for 2004/2005 under GAAP	2,404	873
less recognition of 2004/2005 expense for employee option costs	(112)	(112)
less 2004/2005 fair value adjustment for property plant & equipment arising under business combinations	(11)	-
less 2004/2005 income tax on profits	(718)	(296)
Net Profit after tax for 2004/2005 under AIFRS	1,563	465
Accumulated Profits under AIFRS closing balance 30 June 2005	5,441	(3,353)

(f) NOTES

(i) Income tax

Under AASB 112: Income Taxes, income tax losses and temporary differences are recognised as assets when it is probable that they will result in an consolidated benefit being gained. This results in the recognition of tax losses, additional building depreciation allowable and accrued leave provisions being recognised as an asset as at the date of AIFRS transition on 1 July 2004. This treatment differs from previous AGAAP which required virtual certainty before recognition. Under tax consolidation, all losses have been transferred to the head company. Current tax liabilities and deferred tax assets for unused tax losses represent net equity contributed by the parent entity to its subsidiaries.

(ii) Share based payments

Under AASB 2: Share based payments, Employee option costs now need to be expensed by charging the fair value of the estimated cost of the option as an adjustment against opening accumulated profits (losses) at 1 July 2004. The cost of future options will be charged against profits commencing from 1 July 2004. In accordance with AASB 1, the entity has elected to value options granted after 7 November 2002 and which vested before 1 July 2004. This has the effect of including an amount of option reserve within issued capital

(iii) Business Combinations

Under AASB 3: Business Combinations, an adjustment has been made to opening balance of Property Plant and Equipment for funds received after takeover in 1994 which have previously been adjusted annually as depreciation on consolidation. This results in a one off increase in the value of Property Plant and Equipment at transition date and an increase in the annual depreciation charge. AASB 3 requires a reassessment of discounts on acquisition with such to be recognised immediately as profit wherever the discount remains. The entity has elected under AASB 1 to apply AASB 3 prospectively.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
3. REVENUE				
Operating activities				
Sales of goods	24,205	18,751	3	5
Interest revenue from other persons	137	171	111	163
Administration fee revenues	98	-	233	1,425
Rental revenue	-	-	780	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue from operating activities	24,440	18,922	1,127	1,593
Non operating activities				
Gain (loss) on disposal of property, plant and equipment	51	-	1	-
Total Revenue from ordinary activities	<hr/>	<hr/>	<hr/>	<hr/>
	24,491	18,922	1,128	1,593
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Revenue from exchange of goods included in sale of goods above	39	30	-	-
4. ITEMS INCLUDED IN PROFIT				
Additional information on nature of expenses/revenues				
Net gain on disposal of non current assets				
- Property plant & equipment	51	-	1	-
Net gain on assignment of water sports	98	-	-	-
Net bad and doubtful debts	31	5	-	-
Operating lease payments:				
- minimum lease payments	957	1170	15	-
- contingent rentals	12	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	969	1170	15	-

Note:

A wholly owned subsidiary (Dectar Pty Ltd) discloses a contingent rental lease obligation because the amount of the rental payment under the term lease of its wharf and berthing facility with Cairns Port Authority is determined from a fixed annual rental and an additional levy determined on the number of passengers using the facility. The additional levy charged for 2005/06 is 50 cents per passenger.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
5. INCOME TAX				
The amount provided in respect of income tax differs from the amount of prima facie tax payable on profit from ordinary activities and is reconciled as follows:-				
Prima facie tax payable on profit from ordinary activities before income tax at 30%	945	684	34	296
Add tax effect of				
- non deductible expenses	1	34	-	-
	<u>946</u>	<u>718</u>	<u>34</u>	<u>296</u>
Less tax effect of				
- non assessable income received gain on business combination	(42)	-	-	-
Income Tax expense attributable to entity	<u>904</u>	<u>718</u>	<u>34</u>	<u>296</u>
Amount of franking credits available for subsequent reporting periods.			<u>378</u>	<u>-</u>
The above franking balance has been adjusted for franking credits that will arise from the payment of current tax liability.				
(a) The components of tax expense comprise:				
- Current tax	840	674	34	298
- Deferred tax	64	44	-	(2)
Income tax expense/(benefit) in income statement	<u>904</u>	<u>718</u>	<u>34</u>	<u>296</u>
(b) Deferred tax assets comprise:				
- Trading losses	2,300	2,762	2,300	2,762
- Provisions	164	56	1	1
- Buildings	753	800	-	-
- Other	16	1	1	-
	<u>3,233</u>	<u>3,619</u>	<u>2,302</u>	<u>2,763</u>
(c) The overall movement in the deferred tax asset account is as follows:				
Opening balance	3,619	4,337	2,763	3,435
(Charge)/credit to income statement	(386)	(718)	344	(296)
Assumption of tax liabilities of subsidiaries	-	-	(805)	(376)
Closing balance	<u>3,233</u>	<u>3,619</u>	<u>2,302</u>	<u>2,763</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
5. INCOME TAX (continued)				
(d) The movement in deferred tax assets for each Temporary difference during the year is as follows:				
Provisions				
Opening balance	56	54	1	-
Credited (charged) to the income statement	108	2	-	1
Closing balance	<u>164</u>	<u>56</u>	<u>1</u>	<u>1</u>
Other timing differences				
Opening balance	1	-	-	-
Credited (charged) to the income statement	15	1	1	-
Closing balance	<u>16</u>	<u>1</u>	<u>1</u>	<u>-</u>
Buildings				
Opening balance	800	847	-	-
Credited to the income statement	(47)	(47)	-	-
Closing balance	<u>753</u>	<u>800</u>	<u>-</u>	<u>-</u>
Trading losses				
Opening balance	2,762	3,435	2,762	3,435
Credited (charged) to the income statement	(462)	(673)	(462)	(673)
Closing balance	<u>2,300</u>	<u>2,762</u>	<u>2,300</u>	<u>2,762</u>
(e) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions of deductibility set out in note 1(b) occur				
Capital losses	<u>183</u>	<u>-</u>	<u>-</u>	<u>-</u>
6. CASH AND CASH EQUIVALENTS				
Cash on hand	44	37	-	-
Cash at bank	3,470	2,624	1,338	2,385
	<u>3,514</u>	<u>2,661</u>	<u>1,338</u>	<u>2,385</u>
7. TRADE AND OTHER RECEIVABLES (current)				
Trade debtors	1,504	837	-	2
Provision for doubtful debts	(41)	(16)	-	-
	1,463	821	-	2
Sundry debtors – wholly owned subsidiaries	-	-	8,937	2,638
	<u>1,463</u>	<u>821</u>	<u>8,937</u>	<u>2,640</u>

Loans to wholly owned subsidiaries are due and payable on demand.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

	Consolidated Entity		Parent Entity	
	2006 \$000	2005 \$000	2006 \$000	2006 \$000
8. INVENTORIES (CURRENT)				
Finished goods held for resale or use at cost	254	260	-	-
9. OTHER CURRENT ASSETS (CURRENT)				
Short term security deposits	3	6	-	-
Prepayments	336	93	-	2
	339	99	-	2
10. PROPERTY, PLANT AND EQUIPMENT				
Freehold land at cost	1,051	1,051	1,051	1,051
Leasehold land and lease at cost	2,612	2,612	-	-
Total Land	3,663	3,663	1,051	1,051
Buildings on freehold land at cost	13,001	5,201	5,201	5,201
Buildings on leasehold land at cost	9,588	9,456	-	-
Less accumulated depreciation	(7,869)	(7,787)	(2,311)	(2,181)
Total Buildings	14,720	6,870	2,890	3,020
Total Land and Buildings	18,383	10,533	3,941	4,071
Vessels and Reef Pontoons:				
At cost	2,866	-	-	-
Accumulated Depreciation	(831)	-	-	-
Total Vessels	2,035	-	-	-
Plant and equipment:				
At cost	9,738	8,897	2,635	2,542
Accumulated Depreciation	(6,553)	(6,359)	(2,095)	(2,093)
	3,185	2,538	540	449
Plant and Vehicle under Lease:				
At cost	101	-	-	-
Accumulated Depreciation	(36)	-	-	-
	65	-	-	-
Total Plant and Equipment	3,250	2,538	540	449
Total Property, Plant and Equipment	23,668	13,399	4,481	4,520

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

10. PROPERTY, PLANT AND EQUIPMENT (continued)

NOTE: VALUATION

A valuation of Club Crocodile Airlie Beach property plant and equipment was obtained in January 2005 from Jones Lang LaSalle, registered valuers. This valuation stated the current market value on a going concern basis of the property to be \$5.7 million at that date. A valuation of Long Island Resort property plant and equipment by Jones Lang LaSalle, registered valuers, in January 2005 stated the value of leasehold land and improvements based on current market value to be \$15 million. These valuations were not made with a regular policy of revaluing property plant and equipment. The property plant and equipment owned by the wholly owned subsidiary, Dectar Pty Ltd (Sunlover Cruises), has been included at the amount paid on acquisition at 31 January 2006. The directors have not made any upward revaluation of property plant and equipment in these accounts.

Movement in Carrying Amounts

	Freehold and Leasehold Land	Buildings on Freehold and Leasehold Land	Vessels and Reef Pontoons	Plant and Equipment	Plant & Equipment under finance lease	Total
Consolidated Entity:						
Opening Balance	3,663	7,198	-	2,538	-	13,399
Additions	-	7,799	1,102	1,096	101	10,098
Acquisition through business combinations	-	-	1,012	26	-	1,038
Less Disposals	-	-	-	(63)	-	(63)
Less Depreciation Expense	-	(277)	(79)	(412)	(36)	(804)
Closing Balance	3,663	14,720	2,035	3,185	65	23,668
Parent Entity:						
Opening Balance	1,051	3,020	-	449	-	4,520
Additions	-	-	-	194	-	194
Acquisition through business combinations	-	-	-	-	-	-
Less Disposals	-	-	-	-	-	-
Less Depreciation Expense	-	(130)	-	(103)	-	(233)
Closing Balance	1,051	2,890	-	540	-	4,481

Consolidated Entity		Parent Entity	
2006	2005	2006	2005
\$000	\$000	\$000	\$000

11. OTHER FINANCIAL ASSETS – UNLISTED

Shares in wholly owned controlled entities (2005 is \$312 and shown as nil after rounding as less than \$500)

-	-	3,783	376
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Note:

All issued capital in Dectar Pty Ltd was acquired on 31 January 2006 at a cost of \$8,101,230. Following a reduction of share capital of Dectar Pty Ltd on 15 June 2006 a return of capital of \$5,500,000 was received by the company thereby reducing the cost of its investment in this wholly owned subsidiary to \$2,601,230. The current tax liabilities and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the parent company (2006 - \$805,381 and 2005 - \$376,146) and represent net equity contributed by the parent company to its subsidiaries and this is eliminated by the consolidated entity.

12. INTANGIBLES

Purchased goodwill Lake Street	-	609	-	-
Purchased goodwill Hides Hotel	578	578	578	578
	578	1,187	578	578
Accumulated amortisation	(578)	(1,187)	(578)	(578)
Net carrying amount of intangibles	-	-	-	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

		Consolidated Entity		Parent Entity	
		2006	2006	2006	2006
		\$000	\$000	\$000	\$000
13.	TRADE AND OTHER PAYABLES (CURRENT)				
	Trade creditors	3,241	1,021	497	349
	Amounts payable to				
	- wholly owned subsidiaries	-	-	2,646	2,135
	- directors	-	47	-	-
	- other	-	626	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		3,241	1,694	3,143	2,484
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
14.	BORROWINGS				
(a)	CURRENT – SHORT TERM				
	Bank overdrafts (secured)	46	75	46	75
	Lease liabilities (secured)	30	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		76	75	46	75
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
(b)	NON CURRENT – LONG TERM				
	Lease liabilities (secured)	39	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		39	-	-	-
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
(i)	The carrying amounts of non-current assets pledged as security are:				
	- Freehold land	1,051	1,051	1,051	1,051
	- Leasehold land	2,612	2,612	-	-
	- Buildings on freehold land	10,689	3,151	2,890	3,020
	- Buildings on Leasehold land	4,030	3,986	-	-
	- Plant & equipment	5,285	2,538	540	449
(ii)	The bank overdrafts of the Parent Entity and subsidiaries are fully secured by first mortgages over freehold and leasehold properties of controlled entities.				
(iii)	Information about terms and conditions of borrowings are included at Note 21.				
15.	PROVISIONS				
(a)	CURRENT				
	Employee benefits – annual leave	216	137	5	4
		<hr/>	<hr/>	<hr/>	<hr/>
		216	137	5	4
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
(b)	NON CURRENT				
	Employee benefits – long service leave	148	36	-	-
	Pontoon decommissioning	143	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		291	36	-	-
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
15. PROVISIONS (continued)				
(c) Pontoon Decommissioning				
Opening balance 1 July 2005	-	-	-	-
Additional provision through business combination	139	-	-	-
Amounts used	-	-	-	-
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	4	-	-	-
Balance 30 June 2006	<u>143</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: A provision has been recognised for the costs to be incurred for the restoration of the Great Barrier Reef at some time in the future for the decommissioning of the reef pontoons owned and operated by a wholly owned subsidiary.

	Number			
	2006	2005		
16. SHARE CAPITAL				
(a) Contributed Equity - shares				
At the beginning of the reporting period	61,762,389	56,130,278	13,476	13,405
Issue of options	-	-	-	112
Shares issued during the year – conversion of options @ 30 cents on 11 November 2005 and 8 March 2006	675,000	-	203	-
Shares issued during the year – conversion of options @ 14.4 cents on 30 September 2005	1,000,000	-	144	-
Shares issued during the year – new issue @ 42 cents – 30 June 2006	16,000,000	-	6,720	-
Shares issued during the year – new issue @ 20 cents	-	22,452,111	-	4,490
Transaction costs	-	-	-	(222)
Share buy back	-	(16,820,000)	-	(4,289)
Transaction costs buy back	-	-	-	(20)
At the end of the reporting period	<u>79,437,389</u>	<u>61,762,389</u>	<u>20,543</u>	<u>13,476</u>
(b) Contributed Equity - options				

There were 1,000,000 share options over unissued shares granted on 3 September 2003 and conferred a right to acquire ordinary shares at 14.4 cents per share. These options were converted to shares on 30 September 2005.

	Number of 14.4 cent options	
	2006	2005
On issue at beginning of financial year	1,000,000	1,000,000
Issued during the financial year	-	-
Converted during the financial year	(1,000,000)	-
Expired during the financial year	-	-
On issue at end of financial year	<u>-</u>	<u>1,000,000</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

16. SHARE CAPITAL (continued)

(b) Contributed Equity – options (continued)

There were 1,000,000 share options over unissued shares granted on 1 December 2004 and each conferred a right to acquire ordinary shares at 30 cents per share. 175,000 of these options were converted to shares on 11 November 2005 and a further 500,000 were converted to shares on 8 March 2006.

	Number of 30 cent options	
	2006	2005
On issue at beginning of financial year	1,000,000	-
Issued during the financial year	750,000	1,000,000
Converted during the financial year	(675,000)	-
Expired during the financial year	-	-
On issue at end of financial year	1,075,000	1,000,000

Fully paid ordinary shares carry the right to one vote at a meeting of the company. Shareholders also have the right to receive dividends as declared and to participate in the proceeds from the sale of all surplus assets in proportion to the total shares issued in the event of the company winding up.

Option holders do not carry voting rights, do not participate in proceeds from sale of surplus assets in the event of the company winding up and are not entitled to dividends in relation to unexercised options.

Consolidated Entity		Parent Entity	
2006	2005	2006	2005
\$000	\$000	\$000	\$000

17. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments:

Non cancellable operating leases contracted for but not capitalised in the financial statements.

Payable:

Not later than one year	141	788	-	651
Later than one year but not later than five years	221	-	-	-
Later than five years	-	-	-	-
	362	788	-	651

Two non cancellable property leases were in place during the year with differing commencement dates and terms up to ten years and with rent payable monthly in advance. Options existed to renew the leases at the end of the terms for additional terms of up to five years. The lease in respect of Hides Hotel expired in May 2006 and the option to extend was not taken up in view of the contract negotiated to buy the Hides Hotel building. The lease in respect of Club Crocodile Lake Street Motel expired on 20 November 2005. The option to renew this lease at the end of its term was not taken up. Sunlover Cruises holds a sublease over land from Cairns Port Authority which is used as a storage facility and is due for renewal in October 2006. Sunlover also has a rental agreement with Cairns Port Authority in respect of its berthing facility for which there is a fixed rental fee in addition to a levy based on the number of passengers using the facility.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

17. CAPITAL AND LEASING COMMITMENTS (continued)

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
(b) Capital Expenditure Commitments:				
Capital expenditure contracted for at year End but not provided for Payable:				
Not later than one year	-	5	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	5	-	-

In addition to the above, a wholly owned subsidiary holds a perpetual lease over crown land which commenced on 1 October 1961. The current annual contribution commitment for this lease is \$57,380 (2005 - \$59,436).

(c) Finance Lease Commitments:				
Motor Vehicles				
Payable - minimum lease payments				
- not later than 12 months	30	-	-	-
- between 12 months and 5 years	44	-	-	-
- greater than 5 years	-	-	-	-
Minimum lease payments	74	-	-	-
less future finance charges	5	-	-	-
Present value of minimum lease payments	69	-	-	-

18. AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:				
Auditing or reviewing the financial report	54	28	54	28
Non audit services:				
Review of tax calculations of deferred tax assets under AIFRS	5	-	5	-
Discussions in relation to AIFRS	1	-	1	-
Preparation of independent experts reports	9	4	9	4
	69	32	69	32

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

19. KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation Practices

The board's policy for determining the nature and amount of compensation of key management for the group is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Any options not exercised before or on the date of termination lapse within 30 days of cessation.

The group seeks to emphasise payment for results through providing various cash bonus reward schemes, specifically, the incorporation of incentive payments based on the achievement of revenue and profit targets. Various incentive payments result where the group returns operating profit greater than 5% over budgets. This condition provides management with a performance target focused upon organic sales growth utilising existing group resources.

Bonuses included per note 19 (b) are based on these targets. The objective of the reward scheme is to both reinforce the short and long-term goals of the group and to provide a common interest between management and shareholders. The bonuses were granted to key management personnel on 28 July 2006. There has been no alteration to the terms of the bonuses paid since grant date.

The employment conditions of the executive directors, Mr Dickinson and Ms Pester as well as other key management personnel are formalised in contracts of employment. Key management personnel are permanent employees of the Ocean Capital Limited consolidated group.

The remuneration committee of the board of directors determines the proportion of fixed and variable compensation for each key management personnel. Refer Note 19 (b).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

19. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

- (a) Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mr David R Kingston	Chairman – Non-executive
Mr Phillip Dickinson	Director – Managing Director to 31 August 2006, Executive Director from 1 September 2006
Ms Jayne E Pester	Director - Executive
Mr Brent P Cooper	Sales and Marketing Manager
Mr Martin Nel	Mergers and Acquisitions
Mr Andrew Kennedy	General Manager – Sunlover Cruises
Mr Kevin J Sheppard	Company Secretary
Mr Richard D Murphy	Financial Controller (resigned 12 October 2005)

(b) **2006 Key Management Personnel**

	Short-term Benefits			Post-employment benefits	Share based payment	Total	Performance related
	Cash Salary \$000	Cash Incentive \$000	Other \$000	Superannuation \$000	Options \$000	\$000	% \$000
Mr David R Kingston	-	-	52	-	-	52	-
Mr Phillip Dickinson	108	6	-	52	-	166	3.62
Ms Jayne E Pester	132	12	-	11	-	155	7.75
Mr Brent Cooper	90	5	5	8	-	108	4.63
Mr Martin Nel	93	-	-	9	-	102	-
Mr Andrew Kennedy	37	-	-	3	-	40	-
Mr Kevin Sheppard	-	-	107	-	-	107	-
Mr Richard Murphy*	28	-	-	2	-	30	-
	488	23	164	85	-	760	

* resigned 12 October 2005

2005 Key Management Personnel

	Short-term Benefits			Post-employment benefits	Share based payment	Total	Performance related
	Cash Salary \$000	Cash Incentive \$000	Other \$000	Superannuation \$000	Options \$000	\$000	% \$000
Mr David Kingston	-	-	30	-	-	30	-
Mr Phillip Dickinson	79	35	-	31	18	163	32.62
Ms Jayne E Pester	99	15	-	9	19	142	24.28
Mr Brent Cooper	71	4	5	6	15	101	17.47
Mr Martin Nel	51	-	-	5	68	124	-
Mr Andrew Kennedy	-	-	-	-	-	-	-
Mr Kevin Sheppard	-	-	86	-	-	86	-
Mr Richard Murphy	66	4	-	7	10	87	18.68
	366	58	121	58	130	733	

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

19. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(c) **Option Holdings:**

Number of options held by Key Management Personnel at year end:

	Balance 1.7.2005	Granted as Compensation	Options exercised	Net Change Other	Balance 30.6.2006	Total Vested 30.6.2006	Total Exercisable 30.6.2006	Total Not Exercisable 30.6.2006
Mr P Dickinson	1,000,000	-	1,000,000	-	-	-	-	-
Ms J E Pester	325,000	-	-	-	325,000	325,000	325,000	-
Mr B P Cooper	250,000	-	-	-	250,000	250,000	250,000	-
Mr M L Nel	1,000,000	-	500,000	-	500,000	500,000	500,000	-
Mr R D Murphy	175,000	-	175,000	-	-	-	-	-
	2,750,000	-	1,675,000	-	1,075,000	1,075,000	1,075,000	-

Options were granted to key management personnel in the current year and in respect of previous year compensation. All options outstanding at 30 June 2006 have an exercise price of 30 cents.

There has been no change to terms or conditions of options since grant date.

No options have been granted as compensation applicable to this year.

All options granted to key management personnel are for ordinary shares in Ocean Capital Limited, which confer a right of one ordinary share for every option held.

(d) Shares issued on Exercise of Compensation options

Shares issued this year on options granted as compensation in prior periods.

Key Management Personnel	No. of Ordinary Shares Issued	Amount Paid per Share	Amount Unpaid per Share
Mr P Dickinson	1,000,000	14.4 cents	Nil
Mr M Nel	500,000	30 cents	Nil
Mr R D Murphy	175,000	30 cents	Nil
	1,675,000		

(e) Number of shares held by Key Management Personnel and their related parties at year end:

	Balance 1 July 2005	Received as remuneration	Options exercised	Net change other	Balance 30 June 2006
Key Management Personnel					
David R Kingston	34,943,938	-	-	18,723,235 *	53,667,173
Phillip Dickinson	2,060,243	-	1,000,000	(300,000) *	2,760,243
Jayne Pester	55,600	-	-	-	55,600
Brent Cooper	140,000	-	-	-	140,000
Martin Nel	250,000	-	500,000	(590,000) *	160,000
Andrew Kennedy	-	-	-	-	-
Kevin J Sheppard	1,654,000	-	-	(100,000) *	1,554,000
Richard D Murphy	-	-	175,000	(175,000) **	-
	39,103,781	-	1,675,000	17,583,235	58,337,016

* Refers to shares purchased or sold during the financial year.

** Refers to cessation of employment.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

	Consolidated Entity	
	2006	2005
	\$000	\$000
20. EARNINGS PER SHARE		
Net profit used in calculating basic earnings per share	2,246	2,404
Net profit used in calculating diluted earnings per share	2,246	2,404
Weighted average number of ordinary shares used in Calculating basic earnings per share	62,821,088	67,504,305
Dilutive potential ordinary shares	342,045	548,387
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	63,163,133	68,052,692
Potential ordinary shares that are not dilutive and not used in the calculation of diluted earnings per share	-	-
Ordinary shares issued between reporting date and time of completion of the financial report	-	-
Basic earnings per share (cents per share)	3.576 cents	3.562 cents
Diluted earnings per share (cents per share)	3.556 cents	3.533 cents

21. FINANCING ARRANGEMENTS

Credit Standby Arrangements:

The group has a combined overdraft facility of \$400,000 (2005: \$400,000), as well as on line and credit card facilities of \$1,670,000 (2005: \$1,670,000) which can be used by either the parent or subsidiary companies.

Other Financing Arrangements:

- (a) There are no additional loan arrangements for subsidiary companies.
- (b) The Consolidated Entity has a bank guarantee in favour the Great Barrier Reef Marine Park Authority Qld for an amount of \$60,000 (2005 - \$60,000) in relation to Long Island Resort.
- (c) A wholly owned subsidiary has a bank guarantee in favour the Great Barrier Reef Marine Park Authority Qld for an amount of \$171,000 (2005 - nil) in relation to Sunlover Reef Cruises.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

22. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties. Apart from normal trading activities between members of the consolidated entity because of their proximity of operations in the Whitsundays and Cairns areas there are no business transactions between companies within the Consolidated Entity.

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
(a) Transactions with related Parties:				
Interest paid by Ocean Capital Limited to wholly owned subsidiary Dectar Pty Ltd for short term funding between January 2006 and May 2006	-	-	148	-

- (b) Wholly owned controlled group:
During the year the Parent Entity loaned amounts to wholly owned controlled entities and received repayments of advances from those entities. Interest is not payable on the loans and there is no fixed term of repayment. Balances owed to the parent entity at year end were:

	2006	2005
	\$000	\$000
Oceancorp Pty Ltd	1,138	2,638
Dectar Pty Ltd	(138)	-
Long Island Resorts Pty Ltd	(1,651)	(1,654)
CCH Cairns Operations Pty Ltd	(367)	(56)
CCH Island Operations Pty Ltd	(107)	(352)
Club Crocodile Whitsundays Pty Ltd	(383)	(73)
Hides Hotel Unit Trust	7,799	-
	<u>6,291</u>	<u>503</u>

- (c) Other transactions with related parties:

Key management Personnel

Rental payments made to Rifon Pty Ltd, a related party of director David R Kingston, in respect of the lease of Hides Hotel in Cairns. The company entered a 10 year lease on the property on 30 May 1996 with Shearwater Pty Ltd. Rifon Pty Ltd purchased the freehold of this property from Shearwater Pty Ltd, prior to David R Kingston becoming a director of the company on 12.08.2002. This property was acquired by the consolidated entity on 30 June 2006.

	720	703	-	-
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Underwriters fee paid to K Capital Pty Ltd a related party of director David R Kingston in respect of capital raising by rights issue in August 2004.

	-	180	-	180
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Accounting staff and facility hire paid to KDP Accountancy Pty Ltd a related party of Company Secretary Kevin Sheppard

	107	86	107	86
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Acquisition of Hides Hotel from Rifon Pty Ltd, a related party of director David Kingston, settled on 30 June 2006

Cash payment	1,080	-	-	-
Payment by share issue	6,720	-	-	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

23. CONTROLLED ENTITIES

Investment in controlled entities –

	Country of Incorporation	Percentage owned		Investment at cost	
		2006 %	2005 %	2006 \$	2005 \$
Parent Entity:					
Ocean Capital Limited	Australia				

Controlled Entities of Ocean Capital Limited:

Oceancorp Pty Ltd (previously Mytarc Pty Ltd)	Australia	100	100	10	10
Long Island Resorts Pty Ltd	Australia	100	100	-	-
KQ Investments Pty Ltd	Australia	-	100	-	2
CCH Cairns Operations Pty Ltd	Australia	100	100	100	100
Club Crocodile Whitsundays Pty Ltd	Australia	100	100	100	100
CCH Island Operations Pty Ltd	Australia	100	100	100	100
Dectar Pty Ltd	Australia	100	-	2,601,230	-
OCE Hides Pty Ltd	Australia	100	-	100	-
Ocean Hotels Pty Ltd	Australia	100	-	100	-

Controlled entities acquired:

	Dectar Pty Ltd \$	Others - new Incorporation s \$	Total \$
Cost of Combination:			
Purchase consideration	(8,101,230)	(300)	(8,101,530)
Direct costs relating to the acquisition	-	-	-
Total Purchase consideration	(8,101,230)	(300)	(8,101,530)
Fair value of net assets acquired	8,241,529	300	8,241,829
Gain on acquisition	140,299	-	140,299

Aggregate assets and liabilities acquired are as follows:-

Cash and cash equivalents	6,978,666	300	6,978,966
Trade and other debtors	1,006,040	-	1,006,040
Inventory	53,565	-	53,565
Other assets	91,300	-	91,300
Property, plant and equipment	1,357,485	-	1,357,485
Trade and other payables	(975,072)	-	(975,072)
Provisions	(410,754)	-	(410,754)
Deferred tax asset	140,299	-	140,299
	8,241,529	300	8,241,829

Outflow of cash to acquire business, net of cash acquired:

Cash consideration	8,101,230	300	8,101,530
Less cash acquired	(6,978,666)	(300)	(6,978,966)
Outflow of cash	1,122,564	-	1,122,564

Net profit after tax since acquisition date included in income statement

384,311	-	384,311
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Subsequent to acquisition date, Dectar Pty Ltd made a return of capital of \$5,500,000 thereby reducing the cost of investment from \$8,101,230 to

2,601,230

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

23. CONTROLLED ENTITIES (continued)

On 31 January 2006 the parent entity acquired 100% of Dectar Pty Ltd trading as Sunlover Cruises for a net purchase consideration of \$2,601,230 and is entitled to all profits earned since acquisition.

Additional wholly owned subsidiaries were incorporated on 10 May 2006, (OCE Hides Pty Ltd – 100 shares of \$1 each) and 20 June 2006 (Ocean Hotels Pty Ltd – 100 shares of \$1 each)

On 10 May 2006 the Hides Hotel Trust was established and OCE Hides Pty Ltd is the trustee of the trust which acquired the Hides Hotel on 30 June 2006. This trust is a unit trust with all 100 units of \$1 on issue owned by the parent entity.

100% of voting shares acquired in all entities.

Controlled entity disposed of 29 January 2006:

K Q Investments Pty Ltd
Aggregate gain on disposal nil.

Changes of company names were effected during the year as follows:-

Date	New Name	Previous Name
26 October 2005	Ocean Capital Limited	Club Crocodile Holdings Ltd
21 November 2005	Oceancorp Pty Ltd	Mytarc Pty Ltd
21 November 2005	Club Crocodile Whitsundays Pty Ltd	CCH Whitsunday Operations Pty Ltd

24. CONTINGENT LIABILITIES

The parent entity and two of its wholly owned subsidiaries, Oceancorp Pty Ltd and Long Island Resorts Pty Ltd, have entered into a Deed of Indemnity under which the parent entity and its subsidiaries cross guarantee the finance debt of each other.

	Parent Entity	
	2006 \$000	2005 \$000
Oceancorp Pty Ltd	-	-
Long Island Resorts Pty Ltd	-	-
	-----	-----
	-----	-----

A wholly owned subsidiary is currently defending a litigation claim brought by the developer of a reservations software system for the balance of monies alleged owing when further development of the software was terminated. The quantum of the invoices is in dispute and directors have the view, supported by legal advice that the potential additional financial amount that this company may be liable for is nil.

25. AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

26. COMPANY DETAILS

The registered office of the company is:
C/- Sheppard Hanson & Co
Shop D, 1181 Wynnum Road,
CANNON HILL QLD 4170

The principal place of business of the company is:
Club Crocodile Airlie Beach Resort
Shute Harbour Road,
WHITSUNDAY QLD 4802

The principal activities of the company are that of resort and hotel operation and reef cruises.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

27. SEGMENT INFORMATION

The consolidated entity operates in two segments being Tourism & Hospitality and Cruise Operations. The consolidated entity operates predominantly in one geographical segment being Queensland, Australia. Segment information is reported separately as per schedule 1 – Segment reporting.

28. FINANCIAL INSTRUMENTS

The groups financial instruments consists mainly of deposits with banks including short term deposits, accounts receivable and payable, loans to and from subsidiaries and financial leases.

(a) *Credit Risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount disclosed in the balance sheet and notes to the financial statements. The Consolidated Entity had no significant concentrations of credit risk from any party or group.

(b) *Fair Values*

The fair values of financial assets and liabilities approximates their carrying value.

(c) *Interest Rate Risk*

The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is shown in schedule 2 – Financial instruments.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Schedule 1.	Tourism & Hospitality		Cruise Operations		Eliminations		Consolidated Entity	
	\$000		\$000		\$000		\$000	
SEGMENT REPORTING	2006	2005	2006	2005	2006	2005	2006	2005
REVENUE								
External Sales	20,008	18,751	4,346	-	-	-	24,354	18,751
Sales to other segments	-	-	-	-	-	-	-	-
Total Segment Revenue	<u>20,008</u>	<u>18,751</u>	<u>4,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,354</u>	<u>18,751</u>
Unallocated Revenue							137	171
Total Revenue from ordinary activities							<u>24,491</u>	<u>18,922</u>
RESULT								
Segment Result	2,674	2,109	342	-	-	-	3,016	2,109
Unallocated expenses net of unallocated revenue							134	171
Profit from ordinary activities before income tax							3,150	2,280
Income tax expense	-	-	-	-	-	-	(904)	-
NET PROFIT							<u>2,246</u>	<u>2,280</u>
ASSETS								
Segment Assets	24,801	17,240	4,437	-	-	-	29,238	17,240
Unallocated Assets							3,233	3,619
Total Assets							<u>32,471</u>	<u>20,859</u>
LIABILITIES								
Segment Liabilities	2,262	1,898	1,455	-	-	-	3,717	1,898
Unallocated Liabilities							524	44
Total Liabilities							<u>4,241</u>	<u>1,942</u>
OTHER								
Acquisition of non current segment assets	8,715	1,259	2,421	-	-	-	11,136	1,259
Depreciation & Amortisation of segment assets	1,365	659	120	-	(681)	-	804	659
Other non cash segment expenses	2	(108)	(110)	-	-	-	(108)	(108)

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Schedule 2 FINANCIAL INSTRUMENTS	Weighted Average		Floating		Fixed Interest Rate Maturing									
	Effective Interest Rate		Interest Rate		Within Year		1 to 5 Years		Over 5 Years		Non-Interest Bearing		Total	
	\$000		\$000		\$000		\$000		\$000		\$000		\$000	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Financial Assets														
Cash	4.52	4.95	2,101	2,624	1,369	-	-	-	-	-	44	37	3,514	2,661
Receivables	-	-	-	-	-	-	-	-	-	-	1,463	821	1,463	821
Other	-	-	-	-	-	-	-	-	-	-	3	6	3	6
TOTAL FINANCIAL ASSETS			2,101	2,624	1,369	-	-	-	-	-	1,510	864	4,980	3,488
Financial Liabilities														
Trade & sundry creditors	-	-	-	-	-	-	-	-	-	-	1,602	651	1,602	651
Bank overdraft	9.85	9.25	46	75	-	-	-	-	-	-	-	-	46	75
Finance leases	7.37	-	-	-	30	-	39	-	-	-	-	-	69	-
TOTAL FINANCIAL LIABILITIES			46	75	30	-	39	-	-	-	1,602	651	1,717	726
NET FINANCIAL ASSETS/(LIABILITIES)			2,055	2,549	1,339	-	(39)	-	-	-	(92)	213	3,263	2,762

DIRECTORS' DECLARATION

The directors of Ocean Capital Limited declare that:

1. the financial statements and accompanying notes are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company and the Consolidated Entity;

25. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and accompanying notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and accompanying notes for the financial year give a true and fair view;

3. 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:

PHILLIP DICKINSON



EXECUTIVE DIRECTOR

Dated at Brisbane this 29th day of September 2006

INDEPENDENT AUDIT REPORT TO MEMBERS OF OCEAN CAPITAL LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, notes to the financial statements and the directors' declaration for both Ocean Capital Limited (the company) and Ocean Capital Limited and Controlled Entities (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

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 judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity'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 Ocean Capital Limited is in accordance with:

- (a) The Corporations Act 2001, including:
- (i) giving a true and fair view of the Ocean Capital Limited's and the consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



PKF
Chartered Accountants



CG Bellamy
Partner

Dated at Brisbane this 29th day of September 2006.

OCEAN CAPITAL LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board of Ocean Capital believes in working to the highest standards of corporate governance as are appropriate for the company. The Board also believes it is important to recognise that there can be no hard and fast rule to good corporate governance and that it is important to consider the size of the company, the industry within which it operates, the corporate history and the company's inherent strengths.

The company has complied with several of the Principles of Good Corporate Governance and Best Practice Recommendations of the ASX Corporate Governance Council. These include laying solid foundations for management, appropriate Board structure, promotion of ethical and responsible decision making, the safeguard of integrity in financial reporting, the making of timely disclosure of material matters affecting the company, respecting the rights of shareholders, recognising and managing risk, encouragement of enhanced board and management effectiveness, providing fair and responsible remuneration and recognising the obligations to all legitimate stakeholders.

The Board believes the areas of non conformance shown below will not unduly impact on the company's ability to meet appropriate standards of Corporate Governance.

Those areas of non conformance are explained as follows:

Recommendation 2.1 – Majority of Independent Directors.

As a small market capitalisation company, it is important that Ocean Capital has a Board of an appropriate size. The Board believes that three is the appropriate number of directors for the company at its current size and that the existing directors have the necessary skills and industry knowledge. To add additional directors at this stage would increase the Boards size beyond what is currently regarded as appropriate and would unnecessarily increase costs. As and when the company grows, the number of directors may be increased.

Recommendation 2.2 – Independent Chairperson.

The Board believes that the company's largest shareholder, Mr David Kingston, is the best candidate to be Chairman and in that role to guide the company's vision and strategy as well as to set performance expectations.

Recommendation 4.3 – Audit Committee composition

The committee presently comprises two members including the chairman of the Board. The Board considers there are considerable costs and practicality issues to be resolved in compliance with this recommendation.

SHAREHOLDERS' INFORMATION

LIST OF LARGEST 20 SHAREHOLDERS AT 21 SEPTEMBER 2006

Name	No. of Shares	Percentage of Contributed equity
1. Lizold Pty Ltd	19,585,592	24.66
2. Sun-2 Pty Ltd	18,291,530	23.03
3. Granite Ridge Pty Ltd	15,620,051	19.66
4. Movilli Pty Ltd	2,363,829	2.98
5. DB Management Pty Ltd	1,649,121	2.08
6. Phillip Dickinson	1,610,243	2.03
7. Elcos (Qld) Pty Ltd	1,125,000	1.42
8. Mr P & Mrs J Dickinson (Dickinson Group Super Fund)	1,000,000	1.26
9. Micawber Pty Ltd	944,991	1.19
10. Tappak Nominees Pty Ltd	650,000	0.82
11. UBS Wealth Management Australia Nominees Pty Ltd	632,497	0.80
12. Kevin J Sheppard (Sheppard & Wells Super Fund A/c)	604,000	0.76
13. Stephanie Phillips	456,600	0.57
14. Kathryn A Groves & Nea Der Sarkissian	440,696	0.55
15. David J & Barbara A Niesler	403,292	0.51
16. Barchester Pty Ltd	400,000	0.50
17. Ironwood Investments Pty Ltd	400,000	0.50
18. Kevin Biggin	350,000	0.44
19. Bunyula Super Pty Ltd	331,000	0.42
20. Alfred Street Nominees Pty Ltd	308,411	0.39
Total holdings of top 20 shareholders	67,166,853	
Total shares on register	79,437,389	
Percentage held by top 20 shareholders	84.55%	

DISTRIBUTION OF SHAREHOLDER NUMBERS

Size of Holding	Number of Holders	Number Held Ordinary	Percentage Held
1-1000	146	83,551	0.11
1001-5000	227	616,453	0.78
5001-10000	97	771,121	0.97
10001-100000	250	6,508,370	8.19
100001 and over	43	71,457,894	89.95

Number of holders with less than marketable parcels (minimum parcel \$500) is 148.

Names of substantial shareholders listed in the Parent Entity's register at 21 September 2006 are:

Shareholder Name	Ordinary Holding
1. Lizold Pty	19,585,592
2. Sun-2 Pty Ltd	18,291,530
3. Granite Ridge Pty Ltd	15,620,051

AUSTRALIAN STOCK EXCHANGE REPORT

There is no current on market buy back in respect of the company shares.

The results included in this report are the same as those included in the financial accounts reported to the Australian Stock Exchange on 29 September 2006.

NOTICE OF ANNUAL GENERAL MEETING

To Shareholders:

Notice is hereby given that the Annual General Meeting of Ocean Capital Limited will be held at the Brisbane Office of PKF Chartered Accountants at Level 6, AMP Place, 10 Eagle Street, Brisbane, on Friday 17 November 2006 commencing at 11.00am.

AGENDA:

ORDINARY BUSINESS

1. **TO RECEIVE AND CONSIDER:**

The Financial Report of the Company and of the Economic Entity for the year ended 30 June 2006 and the Reports by Directors and Auditors thereon required to be laid before the meeting in accordance with Article 68 of the Constitution and the Corporations Act 2001. The remuneration report of the company is included in the Director's Report and in accordance with Section 250R(2) of the Corporations Act 2001, a resolution that the remuneration report be adopted will be put to the meeting. The shareholder vote is advisory only and will not bind the Directors or the Company.

2. **RETIREMENT AND ELECTION OF DIRECTORS:**

Phillip Dickinson retires in accordance with Article 39.1 of the provisions of the constitution and being eligible offers himself for re-election.

3. **TO TRANSACT ANY OTHER GENERAL BUSINESS THAT MAY BE PROPERLY BROUGHT FORWARD.**

By Order of the Board



KEVIN J SHEPPARD
COMPANY SECRETARY

Dated at Brisbane this 29th day of September 2006

VOTING AND PROXIES

Article 27 of the company's constitution provides that on a show of hands every member present in person or by proxy or attorney or (in the case of a corporation) by a representative, shall have one vote and upon a poll every such member shall have one vote for every share of which he/she is a registered holder.

A proxy form accompanies this report. Proxies, to be valid, must be received at the registered office of the company, Shop D, 1181 Wynnum Road, Cannon Hill, Qld, 4170, no later than 48 hours before the time of the meeting. A proxy need not be a member of the company.

PROXY

I/We..... of
being a member/members of Ocean Capital Limited, hereby appoint
of or, failing this, the Chairman of the Meeting as my/our proxy,
to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held on Friday, 17 November 2006 and
any adjournment thereof.

Dated this day of 2006

Signed by the said member: COMPANIES
Director

..... Company Seal
(Shareholder's signature) (if applicable) Director

RESOLUTIONS

ITEM		FOR	AGAINST	ABSTAIN
1	To adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	To re-elect Phillip Dickinson as director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Members should be aware that it is the intention of the Chairman to vote in favour of each of the above resolutions. If you do not wish to direct your proxy how to vote, please place a mark in the box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

NOTE:

1. A member entitled to attend and vote is entitled to appoint not more than two (2) proxies.
2. Where more than one proxy is appointed each proxy must be appointed to represent a specified proportion of the member's voting rights and neither proxy shall be entitled to vote on a show of hands.
3. A proxy need not be a member of the Company.
4. If this form of proxy is executed under power of attorney, the instrument must accompany the form of proxy.
5. Any instrument of proxy in which the name of the appointee is not filled in shall be deemed to be given in favour of the Chairman of the meeting.
6. Proxies to be valid must be received at the Registered Office of the company, Shop D, 1181 Wynnum Road, Cannon Hill, Qld, 4170, no later than 48 hours before the time of the meeting. A proxy need not be a member of the company but should be a natural person over the age of 18 years.
7. Proxies shall be in writing under the hand of the appointed or his attorney duly authorised in writing or if the appointer is a corporation under its common seal or the hand of its attorney and such instrument is deemed to confer authority to demand or to join in demanding a poll.
8. Should a member desire to direct a proxy how to vote, the member should place a mark (x), in the appropriate box against each item above, otherwise the proxy may vote as he or she thinks fit, or abstain from voting.
9. The Company has determined that, for the purposes of voting at the meeting, shares will be taken to be held by those persons recorded in the company register as at 7.00pm on 15 November 2006 being 48 hours before the date of the meeting.