

WESTOZ INVESTMENT COMPANY LIMITED

A.B.N. 99 113 332 942

HALF YEAR REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2006

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CORPORATE DIRECTORY

REGISTERED OFFICE

Level 1, The Ernst & Young Building
11 Mounts Bay Road
PERTH WA 6000

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Facsimile: (08) 9321 8288
Website: www.westozfunds.com.au

AUDITORS

Ernst & Young
11 Mounts Bay Road
PERTH WA 6000

BANKERS

Westpac Banking Corporation
109 St George's Terrace
PERTH WA 6000

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
PERTH WA 6000

Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

BOARD OF DIRECTORS

Peter Diamond
Non Executive Chairman
Philip Rees
Executive Director
Jay Hughes
Non Executive Director
Terry Budge
Non Executive Director

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 December 2006

Your directors submit their report for the half-year ended 31 December 2006.

1. DIRECTORS

The names of the directors of the Company in office during the financial period and until the date of this report are as follows: -

Peter Diamond
Philip Rees
Jay Hughes
Terry Budge

2. REVIEW AND RESULTS OF OPERATIONS

Highlights of the company's operations during the six months ended 31 December 2006 are as follows:

- A net profit after tax of \$918,794 was recorded for the period. This included realised gains on investments, interest income, dividend income and changes in the fair value of assets held as at 31 December 2006;
- Net tangible asset backing per share at 31 December 2006 was \$1.11 per share. This figure makes allowance for all costs and provision for tax on unrealised investment gains; and
- 24,162,608 additional shares were issued during the six month period. These shares were issued via placements (at the prevailing NTA per share), dividend reinvestment plan (at \$1.06 per share) and an entitlement issue (at \$1.00 per share). In addition to these shares, 16,606,692 options, exercisable by payment of \$1.20 per option on specified dates up until 30 June 2010 were also issued during the period.

Following the completion of the half-year to 31 December 2006, the directors remain confident that the Company's objectives will be met over its investment horizon.

3. AUDITORS INDEPENDENCE DECLARATION

The auditors independence declaration under section 307C of the Corporations Act 2001 is included on page 15 and forms part of the Westoz Investment Company Limited's report for the half year ended 31 December 2006.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.



Peter Diamond
Chairman
Dated: 30 January 2007

**CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 December 2006**

	Note	31/12/2006 \$	31/12/2005 \$
REVENUE			
Interest Income		1,534,913	1,000,130
Dividend income		637,722	227,297
Changes in the fair value of investments	3	(630,177)	4,382,887
Other Income		39,714	-
Total Investment Income		1,582,172	5,610,314
EXPENSES			
Managers fees		503,519	358,391
Audit fees		8,325	16,995
Director fees		16,500	16,500
Professional fees		10,938	6,904
Other Expenses		3,636	32,290
Total expenses		542,918	431,080
PROFIT BEFORE INCOME TAX EXPENSE		1,039,254	5,179,234
Income tax expense		120,460	1,496,702
NET PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY		918,794	3,682,532
Earnings per share (cents per share)			
- Basic		1.10	7.20
- Diluted		1.10	7.20

**CONDENSED BALANCE SHEET
AT 31 December 2006**

	Note	31/12/2006	30/06/2006
		\$	\$
CURRENT ASSETS			
Investments		63,074,864	31,334,100
Cash and Cash Equivalents	8	49,790,178	61,191,345
Other		24,639	276,797
TOTAL CURRENT ASSETS		<u>112,889,681</u>	<u>92,802,242</u>
TOTAL ASSETS		<u>112,889,681</u>	<u>92,802,242</u>
CURRENT LIABILITIES			
Trade and Other Payables		122,627	151,398
Income Tax Payable		406,400	1,638,843
Distribution Payable		-	3,796,664
TOTAL CURRENT LIABILITIES		<u>529,027</u>	<u>5,586,905</u>
NON -CURRENT LIABILITIES			
Provision for Tax		1,203,854	1,880,102
TOTAL NON-CURRENT LIABILITIES		<u>1,203,854</u>	<u>1,880,102</u>
TOTAL LIABILITIES		<u>1,732,881</u>	<u>7,467,007</u>
NET ASSETS		<u>111,156,800</u>	<u>85,335,235</u>
EQUITY			
Issued Capital		103,908,704	79,005,933
Retained Earnings		7,248,096	6,329,302
TOTAL EQUITY		<u>111,156,800</u>	<u>85,335,235</u>

**CONDENSED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 December 2006**

	Note	31/12/2006	31/12/2005
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1,534,913	1,000,130
Dividends received		637,722	227,297
Payments to supplier		(571,689)	(79,682)
Receipt from customer		291,872	
Income tax paid		(2,029,150)	-
		<hr/>	<hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES		(136,332)	1,147,745
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		22,150,939	17,279,508
Payments for purchases of investments		(54,521,881)	(40,311,791)
		<hr/>	<hr/>
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(32,370,942)	(23,032,283)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		22,677,518	13,666,646
Dividend Paid		(1,571,411)	-
		<hr/>	<hr/>
NET CASH FLOWS FROM FINANCING ACTIVITIES		21,106,107	13,666,646
NET DECREASE IN CASH HELD		(11,401,167)	(8,217,892)
Cash and cash equivalents at the beginning of the period		<hr/>	<hr/>
		61,191,345	43,980,792
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	<hr/> <hr/>	<hr/> <hr/>
		49,790,178	35,762,900

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 December 2006**

	Issued Capital	Retained Earnings	Total Equity
	\$	\$	\$
At 1 July 2006	79,005,933	6,329,302	85,335,235
Issue of Share Capital	24,902,771	-	24,902,771
Profit for the period	-	918,794	918,794
At 31 December 2006	103,908,704	7,248,096	111,156,800

	Issued Capital	Retained Earnings	Total Equity
	\$	\$	\$
At 1 July 2005	43,627,000	143,808	43,770,808
Issue of Share Capital	13,666,646	-	13,666,646
Profit for the period	-	3,682,532	3,682,532
At 31 December 2005	57,293,646	3,826,340	61,119,986

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006
1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

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

The half-year financial report should be read in conjunction with the annual financial report of Westoz Investment Company Limited as at 30 June 2006, which was prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS).

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

(a) Basis of Accounting

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

The half-year financial report has been prepared on a historical cost basis except for investments which are carried at fair value.

(b) Statement of Compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AASB 134 "Interim Financial Reporting" ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards IAS 34 "Interim Financial Reporting".

(c) Changes in Accounting Policies

Australian Accounting Standards and UIG Interpretations that have recently been amended and are effective from 1 January 2006 are outlined in the table below.

Reference	Title	Summary	Application date of Standard	Impact on Group Accounting Policies	Application Date
AASB 2005-1	Amendments to Australian Accounting Standards	Amendment to AASB 139 to allow the foreign currency risk of a highly probable intra-group forecast transaction to qualify as the hedged item in certain circumstances.	For annual reporting periods beginning on or after January 1 2006	A highly probable forecast intra-group transaction denominated in a currency other than the entity's functional currency, can be designated as a hedged item in the consolidated accounts, with the resulting gain or loss from the hedge recognized in the	1 January 2006

				consolidated result. For the half year ended 31 December 2006, there has been no financial impact.	
AASB 2005-4	Amendments to Australian Accounting Standards (AASB 139, AASB 132, AASB 1, AASB 1023 & AASB 1038)	Amendments relate to the restriction on designating financial instruments at fair value through profit and loss.	For annual reporting periods beginning on or after January 1 2006	No change in accounting policy required as the items that are designated at fair value through the profit and loss are classified as held for trading and as such is not impacted by the restriction.	1 January 2006
AASB 2005-5	Amendments to Australian Accounting Standards (AASB 1 & AASB 139)	Consequential amendments made to AASB 1 due to the issue of UIG Interpretations 4 <i>Determining whether an Arrangement contains a Lease.</i> Consequential amendments made to AASB 139 due to the issue of UIG Interpretations 5 <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.</i>	For annual reporting periods beginning on or after January 1 2006	The requirements are consistent with the company's existing accounting policies or relate to transactions that the company has not entered into and therefore has no impact	1 January 2006
AASB 2005-9	Amendments to Australian Accounting Standards (AASB 4, AASB 1023, AASB 139 & AASB 132)	The amendments to all four standards provide guidance as to which standard applies to financial guarantee contracts under certain circumstances.	For annual reporting periods beginning on or after January 1 2006	All financial guarantees given from the parent to its subsidiaries will be required to be accounted for under AASBs 132 & 139 (as they were not previously accounted for as insurance contracts). For the half-year ended 31 December 2006 there has been no financial impact.	1 January 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Investments

All investments are initially recognised at fair value.

When financial assets are initially recognized they are recorded at fair value, plus in the case of investments not at fair value through the profit and loss, directly attributable transaction costs. The company determines the classification of its financial assets after initial recognition and when allowed and appropriate, re-evaluates this designation at each financial year end.

Financial assets at fair value through profit or loss.

Financial assets in the scope of AASB139 “Financial Instruments; Recognition and Measurement” are classified as financial assets at fair value through profit or loss.

For investments that are actively traded in organised financial markets, fair value is determined by reference to the Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Gains and losses on investments at fair value through profit and loss are recognised in the income statement.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognized on the trade date i.e. the date that the Company commits to purchase the asset

Derecognition of financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party lender under a “pass-through” arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and short term deposits, including bank bills with a maturity of three months or less.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(iii) *Income Tax*

Deferred income tax is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow all or part of the deferred income tax to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(iv) *Other Taxes*

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) *Revenue Recognition*

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

Interest Income - revenue is recognised as interest accrues using the effective interest rate method which is the rate that exactly discounts estimated future cash flows through the expected life of the financial investment to the net carrying value of the financial asset.

Dividend Income – revenue is recognised when the Company's right to receive the payment is established. This is taken to be the date the share is quoted ex-dividend.

(vi) *Trade and Other Payables*

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid on future goods and services received, whether or not billed to the entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(vii) *Contributed Equity*

Ordinary share capital is recognised at the fair value of the consideration received by the company and is classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(viii) *Earnings Per Share*

Basic earnings per share (EPS) is calculated as net profit attributed to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the period. The diluted EPS is not materially different from the basic EPS.

(ix) *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

	31/12/06 \$	31/12/05 \$
Net realised gain on disposal of investments	1,623,980	1,297,757
Net unrealised gain on investments	(2,254,157)	3,085,130
	<u>(630,177)</u>	<u>4,382,887</u>

4. ISSUED CAPITAL

	31/12/06 \$	30/6/06 \$		
<i>Ordinary Shares</i>				
Issued and Fully Paid	<u>100,095,888</u>	<u>75,933,280</u>		
(b) Movements in ordinary shares on Issue	Number of Shares	\$	Number of Shares	\$
Beginning of the financial period	75,933,280	79,005,933	43,765,100	43,627,000
Issued during the period				
- Continuing Offer (i)	-	-	32,168,180	35,442,564
- Dividend reinvestment plan (ii)	2,099,295	2,225,253	-	-
- Placement (iii)	5,456,621	6,075,000	-	-
- Rights Issue (iv)	16,606,692	16,606,692	-	-
Less issue costs		-4,174		(63,631)
	<u>100,095,888</u>	<u>103,908,704</u>	<u>75,933,280</u>	<u>79,005,933</u>

- (i) Additional shares were issued under a prospectus dated 15 April 2005 until 14 May 2006 at a price equal to the higher of \$1.00 or the after tax net assets per share as determined by the Company.
- (ii) Shares were issued pursuant to the company's dividend reinvestment plan at a price of \$1.06 per share.
- (iii) Additional shares were placed in two separate placements at a price equal to the net assets per share of the company at the date of the placement.
- (iv) Additional shares were issued pursuant to a rights issue prospectus dated 6 October 2006. 16,606,692 options exercisable on specified dates prior to 30 June 2010 by payment of \$1.20 per share were also issued with the shares.

5. SEGMENT INFORMATION

(a) Business Segment

The Company operated in one business segment during the period as an investment company. The Company considers this business segment to be its primary segment.

(b) Geographic Segment

The Company operated in one geographical segment; Australia.

6. CONTINGENT LIABILITIES

The Company has no contingent liabilities.

7. EVENTS SUBSEQUENT TO BALANCE DATE

Apart from the information provided elsewhere in this report, no other material events have occurred subsequent to 31 December 2006.

8. NOTES TO THE STATEMENTS OF CASH FLOW**(a) Reconciliation of Cash**

For the purpose of the half-year balance sheet, cash and cash equivalents are comprised of the following:

	31/12/06 \$	30/06/06 \$
Cash at Bank and in hand	9,387,507	11,194,753
Bank Bills	40,402,671	49,996,592
	<u>49,790,178</u>	<u>61,191,345</u>

9. RELATED PARTY DISCLOSURES

The Directors of Westoz Investment Company Limited during the period were Mr Peter Diamond, Mr Philip Rees, Mr Jay Hughes and Mr Terry Budge.

Westoz Investment Management Pty Ltd, a company of which Messrs Diamond, Rees and Hughes are Directors received management fees from the company for the management of its assets. A fee of \$503,519 (2005: \$278,391) was charged in the period for these services. No provision was made for payment of a performance fee in the current period (2005: \$80,000).

These fees were charged in accordance with a management agreement, the terms of which have been disclosed.

Euroz Securities Limited, a company of which Messrs Diamond and Hughes are directors received brokerage fees for transactions undertaken by the company in respect of its investments. An amount of \$256,766 (2005: \$186,564) was paid in the period as brokerage to Euroz Securities Limited.

The above transactions were entered into on normal commercial terms.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Westoz Investment Company Limited, the directors declare that:

In the opinion of the directors:

- (a) the financial statements and notes of the economic entity:
 - (i) give a true and fair view of the economic entity's financial position as at 31 December 2006 and of the performance for the half-year ended on that date of the entity; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Peter Diamond', written over a light blue horizontal line.

Peter Diamond
Chairman
Dated: 30 January 2007

Auditor's Independence Declaration to the Directors of Westoz Investment Company Limited.

In relation to our review of the financial report of the Westoz Investment Company Limited for the half year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

T G Dachs

T G Dachs
Partner
Perth
30 January 2007

Independent auditor's review report to members of Westoz Investment Company Limited

We have reviewed the accompanying half year financial report of Westoz Investment Company Limited, which comprises the condensed balance sheet as at 31 December 2006, the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the half year Financial Report

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

Auditor's Responsibility

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

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the half year financial report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Westoz Investment Company is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the half year ended on that date; and

- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

T G Dachs

T G Dachs
Partner
Perth
30 January 2007