

**ON Q GROUP LIMITED  
ACN 009 104 330  
AND ITS CONTROLLED ENTITIES**

**HALF-YEAR INFORMATION  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2006  
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A**

**This half-year financial report is to be read in conjunction with the  
financial report for the year ended 30 June 2006.**

# Appendix 4D

## Half Year Report for the six months to 31 December 2006

Name of entity

OnQ Group Limited

ABN or equivalent company reference: A.C.N. 009 104 330

### 1. Reporting period

Report for the half year ended	31 December 2006
Previous corresponding period is the financial year ended and half year ended	30 June 2006 31 December 2005

### 2. Results for announcement to the market

Revenues from ordinary activities ( <i>item 2.1</i> )	up 43% to	\$'000 510,112
Profit / (loss) from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	do wn 82% to	(640)
Net profit / (loss) for the period attributable to members ( <i>item 2.3</i> )	do wn 82% to	(640)
<b>Dividends (<i>item 2.4</i>)</b>	Amount per security	Franked amount per security
The company is not proposing to pay any dividends		
Interim dividend	Nil	Nil
Final dividend	Nil	Nil
Previous corresponding period –June 2005	Nil	Nil
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	N/A	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood ( <i>item 2.6</i> ):		
Refer to the Chief Executive's report and half year financial report for the half year ended 31 December 2006		

**3. Net tangible assets per security (item 3)**

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.245	\$0.225

**4. Details of entities over which control has been gained or lost during the period: (item 4)**

**Control gained over entities**

Name of entities (item 4.1)	N/A	
Date(s) of gain of control (item 4.2)	N/A	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 4.3)	N/A	
Profit / (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	N/A	

**Loss of control of entities**

Name of entities (item 4.1)	N/A	
Date(s) of loss of control (item 4.2)	N/A	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 4.3).	N/A	
Profit / (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	N/A	

## 5. Dividends

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2006	N/A	\$Nil
Final dividend – year ended 30 June 2005	N/A	\$Nil

### Amount per security

	Amount per security	Franked amount per security	Amount per security of foreign sourced dividend
<b>Total dividend:</b> Current year	Nil	Nil	Nil
Previous year – June 2005	Nil	Nil	Nil

### Total dividend on all securities

	Current period \$A'000	Previous corresponding Period – December 2005
Ordinary securities <i>(each class separately)</i>	Nil	Nil
Preference securities <i>(each class separately)</i>	Nil	Nil
Other equity instruments <i>(each class separately)</i>	Nil	Nil
<b>Total</b>	Nil	Nil

**6. Details of dividend or distribution reinvestment plans in operation are described below:**

The Directors do not propose to declare a dividend in respect of the half year period ending 31 December 2006.

The Company has established, but not yet activated, a Dividend Reinvestment Plan ("DRP") to provide Shareholders with the opportunity of reinvesting dividends in new Shares rather than receiving dividends in cash. The Directors may alter, suspend or terminate the terms of the DRP at any time. It will not commence operation until the Directors so resolve and Shareholders will be notified accordingly.

Participation in the DRP is optional. A shareholder may participate in the DRP in respect of all of its Shares or in respect of some only. Participating Shareholders may terminate their participation or increase or decrease the number of Shares participating under the DRP.

The Directors may decline to accept an application to participate in the DRP if, in their opinion, the laws of Australia or another country makes the Shareholder's participation in the DRP illegal, impractical, or undesirable.

Shares issued under the DRP will be issued at a price which is 100%, or such lower percentage as the Directors may resolve, but which may not be less than 95%, of the average sale price, rounded to the nearest cent, of all Shares sold on the ASX on the date the Company's share register is closed to determine the entitlement to a dividend and the four trading days immediately preceding the date.

No brokerage, commission or other transaction costs will be payable by participating Shareholders on Shares issued under the DRP.

The Directors may alter, suspend or terminate the DRP at any time by giving notice to Shareholders.

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

N/A

## 7. Details of associates and joint venture entities

Name of associate or joint venture entity	Percentage of securities held
Pod TV Pty Ltd (This entity was acquired on 5 July 2005. Previously 49.5% of the share capital was owned by Bill Express Limited)	100%

### Aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	2006 \$	2005 \$
Profit / (loss) from ordinary activities before tax	-	-
Income tax on ordinary activities	-	-
<b>Net profit / (loss) from ordinary activities after tax</b>	-	-
Adjustments	-	-
<b>Share of net profit / (loss) of associates and joint venture entities</b>	-	-

8. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached), which has been prepared in accordance with Australian accounting standards.

9. Independent review of the financial report

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

**ON Q GROUP LIMITED  
ACN 009 104 330  
AND CONTROLLED ENTITIES**

**FINANCIAL REPORT  
For The Half-Year Ended 31 December 2006**

This half-year financial report is to be read in conjunction with the  
Financial report for the year ended 30 June 2006

**ON Q GROUP LIMITED  
AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT  
For the Half-Year Ended 31 December 2006**

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**ON Q GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2006.

**Directors**

The names of directors who held office during or since the end of the half-year

<b>Name</b>	<b>Role</b>	<b>Period of Directorship</b>
Hal Christiansen	Chairman	Director since 28 February 2001
Ian Christiansen	Non-executive director	Director since 21 March 2003
Julian Little	Executive director	Director since 28 February 2001
Peter McDougall	Non-executive director	Director since 30 July 1999
Stephen Fitzgerald	Non-executive director	Director since 30 November 2006
Dugal McDougall	Non-executive director	Director since 30 July 1999 – resigned 30 November 2006
Lisa Clauss	Alternate director for Dugal McDougall	Director since 30 July 1999 – resigned 30 November 2006

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

**Review of Operations**

The consolidated profit of the group for the half-year after providing for income tax amounted to \$1,807 million (2005:\$ 1.468 million loss). After income tax and outside equity interest was a loss of \$ 0.640 million (2005: \$3.547 million loss).

During the period under review, the group successfully launched the Bopo prepaid Visa card and its corporate media sales division, XIP Media. The launch of the new business initiatives was supported by the core underlying businesses, consisting of the bill payment and the Dialtime prepaid businesses which both continued to expand during the period.

During the period under review the group continued to experience strong revenue growth. This growth resulted in an increase in revenue of 43% compared to the corresponding prior period.

The company continued to expand its network throughout the period under review. At 31 December 2006 the network of active terminals had grown to 14,242 sites.

The initial roll out of EBMS in Vietnam has commenced and some contracts with the required key operational partners and suppliers have been entered into. Further key contracts are in advanced stage of negotiation and shall be announced when executed. Vietnam is a rapidly growing country in need of the technical and operation benefits that EBMS, card systems and electronic billing and payment systems can provide. Vietnam is a significant market opportunity for On Q with a population around 80 million.

**ON Q GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT (Continued)**

The Board of On Q has endorsed a less capital and resource intensive model whereby partners or distributors in overseas markets are to be sourced with On Q's contribution being focussed more on licensing and facilitating rather than owning and operating. In summary, On Q has valuable international assets and capabilities and will be focussed upon crystallising this value and protecting its position while the international opportunities are available and market readiness is favourable.

**Auditor's Declaration**

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 of the financial report for the half-year ended 31 December 2006.

**Rounding of Amounts**

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'Hal Christiansen', written in a cursive style.


Hal Christiansen  
Chairman

Dated this 28th day of February 2007

**Auditor's Independence Declaration under Section 307C of the  
Corporations Act 2001 to the directors of On Q Group Limited and  
Controlled Entities**

I declare that, to the best of my knowledge and beliefs, during the half-year ended 31 December 2006 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and
- (ii) No contraventions of any applicable code of professional conduct in relation to the review.



MOORE STEPHENS  
Chartered Accountants



Grant Sincock  
Partner

Melbourne, 28 February 2007

**ON Q GROUP LIMITED AND ITS CONTROLLED ENTITIES**  
**CONSOLIDATED INCOME STATEMENT**  
For the Half-Year Ended 31 December 2006

	<b>Consolidated Group</b>	
	<b>31/12/2006</b>	<b>31/12/2005</b>
	<b>\$000</b>	<b>\$000</b>
Sales revenue	498,139	356,171
Licence / hosting / access fees	10,247	-
Other revenues from continuing activities	1,726	139
	<u>510,112</u>	<u>356,310</u>
Changes in inventories of finished goods	(5,545)	(4,671)
Raw materials and consumables used	(475,275)	(332,452)
Employee benefits expense	(1,789)	(1,221)
Depreciation and amortisation expense	(11,273)	(6,368)
Other expenses from continuing operations	(10,340)	(7,557)
Finance costs	(2,961)	(2,315)
	<u>(507,183)</u>	<u>(354,584)</u>
Profit from continuing operations before income tax	2,929	1,726
Income tax expense relating to continuing operations	(1,122)	(138)
Profit from continuing operations	<u>1,807</u>	<u>1,588</u>
Loss from discontinued operations	-	(3,056)
Profit/(loss) for the half-year	1,807	(1,468)
Profit attributable to minority equity interest	(2,447)	(2,079)
Loss attributable to members of the parent entity	<u>(640)</u>	<u>(3,547)</u>
<b>Earnings Per Share</b>		
Basic earnings per share (cents per share)	(0.96)	(2.52)
Diluted earnings per share (cents per share)	(0.83)	(2.19)

The accompanying notes form part of these financial statements

**ON Q GROUP LIMITED AND ITS CONTROLLED ENTITIES**  
**CONSOLIDATED BALANCE SHEET**  
As at 31 December 2006

	<b>Consolidated Group</b>	
	<b>31/12/2006</b>	<b>30/06/2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	9,974	6,876
Trade and other receivables	89,954	68,058
Inventories	12,683	15,385
Other assets	3,946	1,413
<b>TOTAL CURRENT ASSETS</b>	<b>116,557</b>	<b>91,732</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	-	1,550
Investments	5,148	5,147
Property, plant and equipment	58,359	53,266
Deferred tax assets	1,143	1,289
Intangible assets	67,891	52,559
Other assets	3,957	383
<b>TOTAL NON-CURRENT ASSETS</b>	<b>136,498</b>	<b>114,194</b>
<b>TOTAL ASSETS</b>	<b>253,055</b>	<b>205,926</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	110,926	87,251
Short-term borrowings	17,846	1,816
Current tax liabilities	1,128	893
Employee benefits	529	549
Other liabilities	8,450	541
<b>TOTAL CURRENT LIABILITIES</b>	<b>138,879</b>	<b>91,050</b>
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables	-	3
Long-term borrowings	39,042	42,429
Deferred tax liabilities	4,992	3,850
Employee benefits	113	121
Long-term provisions	722	992
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>44,869</b>	<b>47,395</b>
<b>TOTAL LIABILITIES</b>	<b>183,748</b>	<b>138,445</b>
<b>NET ASSETS</b>	<b>69,307</b>	<b>67,481</b>
<b>EQUITY</b>		
Issued capital	24,100	24,100
Share Option Reserve	54	35
Retained losses	(15,490)	(14,850)
Parent entity interest	8,664	9,285
Minority equity interest	60,643	58,196
<b>TOTAL EQUITY</b>	<b>69,307</b>	<b>67,481</b>

The accompanying notes form part of these financial statements

**ON Q GROUP LIMITED AND ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the Half-Year Ended 31 December 2006

	<b>Consolidated Group</b>	
	<b>31/12/2006</b>	<b>31/12/2005</b>
	<b>\$000</b>	<b>\$000</b>
<b>TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR</b>	67,481	61,151
Employee share options	19	26
<b>Net income recognised directly in equity</b>	<u>19</u>	<u>26</u>
<b>Profit/(loss) for the half-year</b>	1,807	(1,468)
<b>Total recognised income and expense for the half-year</b>	<u>1,807</u>	<u>(1,468)</u>
<b>Transactions with equity holders in their capacity as equity holders</b>		
- Contributions of equity net of transaction costs	-	13,419
	<u>-</u>	<u>13,419</u>
<b>TOTAL EQUITY AT THE END OF THE HALF-YEAR</b>	<u>69,307</u>	<u>73,128</u>

The accompanying notes form part of these financial statements

**ON Q GROUP LIMITED AND ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Half-Year Ended 31 December 2006

	<b>Consolidated Group</b>	
	<b>31/12/2006</b>	<b>31/12/2005</b>
	<b>\$000</b>	<b>\$000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	479,337	356,790
Payments to suppliers and employees	(456,422)	(332,817)
Interest received	129	380
Finance costs	(3,093)	(2,101)
Income tax paid	401	-
<b>Net cash provided by operating activities</b>	<b>20,351</b>	<b>22,252</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	-	446
Proceeds from sale of financial assets	-	211
Payment for property, plant and equipment	(16,366)	(9,830)
Payment for investments	-	(14,540)
Payments for intangible assets	(7,566)	(10,401)
<b>Net cash paid for investing activities</b>	<b>(23,932)</b>	<b>(34,114)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	13,594
Capital raising costs	-	(394)
Proceeds from borrowings	13,397	14,245
Payments of hire-purchase liabilities	(232)	(1,461)
Advances to other entities	(6,487)	(8,949)
<b>Net cash provided by financing activities</b>	<b>6,678</b>	<b>17,035</b>
Net increase in cash held	3,098	5,173
Cash at beginning of half-year	6,876	13,101
<b>Cash at end of half-year</b>	<b>9,974</b>	<b>18,274</b>

The accompanying notes form part of these financial statements

**ON Q GROUP LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2006**

**NOTE 1: THE REPORTING ENTITY**

On Q Group Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the half-year ended 31 December 2006 comprises the Company and its subsidiaries (together referred to as "the consolidated entity") and the consolidated entity's interests in associated and jointly controlled entities.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006 is available upon request from the Company's registered office at 677 The Boulevard, Eaglemont, Victoria, 3084 or at [www.onq.com.au](http://www.onq.com.au)

**NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards AASB 134 Interim Financial Reports and the Corporations Act 2001.

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and with any public announcements issued during the half-year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and Australian Stock Exchange.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2006 Annual Report.

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

The consolidated interim financial report was approved by the Board of Directors on 28 February 2007.

**NOTE 3: ESTIMATES**

The preparation of the interim financial report requires management to make judgements, estimations and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2006.

**ON Q GROUP LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2006**

**NOTE 4: SUBSEQUENT EVENTS**

Aussie Pure Fruits Pty Ltd is in liquidation. The company is dormant and has no assets or liabilities that are material to the consolidated group. The costs of the liquidation will be covered by MON Beverages Pty Ltd. Aussie Pure Fruits Pty Ltd has been dormant since the sale of the Food and Beverages business on 30 June 2006. The company was the employer of staff at the Barooga production site.

**NOTE 5: COMPARATIVE INFORMATION**

The Income Statement and the Statement of Cash Flows provide comparative information for the half-year ended 31 December 2005. The Balance Sheet provides comparative information as at 30 June 2006.

**NOTE 6: DISCONTINUED OPERATIONS**

The following information relates to the consolidated entities food and beverage operations for the six month period to December 2005. This division was discontinued as of 30 June 2006.

	<b>2006</b> <b>\$'000</b>	<b>2005</b> <b>\$'000</b>
Revenue	-	3,453
Expenses	-	(5,431)
Net Profit/(loss) before tax	<u>-</u>	<u>(1,978)</u>
Income tax expense	-	-
Net Profit/(loss) after tax	<u>-</u>	<u>(1,978)</u>
Write down of non-current assets held for sale	-	(1,539)
Income tax expense	-	461
Net loss on fair value adjustments after tax	<u>-</u>	<u>(1,078)</u>
Aggregate Profit/(loss) after tax	<u>-</u>	<u>(3,056)</u>

**NOTE 7: SEGMENT INFORMATION**

Segment information is presented in the consolidated interim financial statements in respect of the consolidated entity's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowing and expenses and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the half-year to acquire segment assets that are expected to be used for more than one period.

**ON Q GROUP LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Half-Year Ended 31 December 2006

**NOTE 7: SEGMENT INFORMATION (Continued)**

**Business Segments**

The consolidated entity comprises of the following main business segments:

- **Electronic Payment and Distribution**

The consolidated entity operates in the management and development of automated ordering, delivery and inventory control for prepaid mobile, Landline and internet services and processing payments for bills that are presented for payment at Bill Express outlets across Australia.

- **Media**

Pod TV, or point of decision TV and XIP Media, are the developer of narrowcast digital retail television networks in Australia. Pod TV and XIP Media design and install entire TV networks in retail precincts, delivering marketing and creative content and media solutions.

- **Food & Beverage**

The foods and beverages segment was involved in the manufacture and marketing of high quality shelf stable vegetable and fruit products, carbonated beverages, premiums fruit juices and food manufacture. This division was discontinued as at 30 June 2006.

**Geographical segments**

Geographically, the group operates predominantly in Australia.

	Half-Year to 31 December 2006 \$'000	Half-Year to 31 December 2005 \$'000
<b>Segment Revenue</b>		
Food and Beverage	-	3,453
Electronic payment and distribution	509,267	355,389
Media	936	921
	<u>510,203</u>	<u>359,763</u>
Inter-segmental revenues	(91)	-
Total revenue	<u>510,112</u>	<u>359,763</u>
<b>Segment Results</b>		
Food and Beverage	-	(3,517)
Electronic payment and distribution	7,252	5,176
Media	(1,560)	(1,117)
	<u>5,692</u>	<u>542</u>
Income tax benefit/(expense)	(1,122)	323
Unallocated revenue less unallocated expenses	(2,763)	(2,333)
Profit for the half-year	<u>1,807</u>	<u>(1,468)</u>

**ON Q GROUP LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2006**

**NOTE 8: ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

During the current half-year under review the company did not acquire any new subsidiaries. During the previous corresponding half-year under review the company acquired the Ezipin Group and the balance of the share in Pod TV.

Ezipin operates the management and development of automated ordering, delivery and inventory control for prepaid mobile, landline and internet services via outlets across Australia. The contributed profit for the Ezipin transaction cannot be determined as the entity was incorporated into the Bill Express operations on the day it was acquired.

During the current half-year under review a further instalment of \$2 million was paid to the vendors of the Ezipin Group in accordance with the original purchase agreement dated 16 September 2005 as a result of predetermined revenue targets being met by the company. Furthermore an amount of \$150,000 was paid to the Pod TV Pty Ltd vendors as settlement for any future earn-out entitlements in accordance with the original purchase agreement dated 5 July 2005. No further earn-outs are payable under the terms of the Pod TV acquisition.

The acquisitions included the following transactions:

**Acquisitions**

Name	Date acquired	Consolidated entity's interest	Consideration \$'000	Contribution to consolidated net profit/(loss) 2005 \$'000
Pod TV Pty Ltd	5 July 2005	100%	2,000	(782)
Public Media Pty Ltd	5 July 2005	100%	-	-
Bopo Cards (Australia) Pty Ltd	8 July 2005	100%	-	*
Ezipin Group Limited and Ezipin Australia Pty Ltd	16 September 2005	100%	10,000	**

\* This entity was incorporated on 8 July 2005 and did not trade during the half-year ended 31 December 2005.

\*\* The contribution from this acquisition cannot be determined as this entity has been fully integrated into Bill Express Limited's operations from the date of acquisition.

**ON Q GROUP LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Half-Year Ended 31 December 2006

**NOTE 8: ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)**

**Effect of Acquisitions**

The Ezipin acquisition had the following effect on the consolidated entities assets and liabilities:

	<b>Recognised Values 2005 \$'000</b>
Property, plant and equipment	945
Inventories	1,291
Trade and other receivables	1,563
Cash and cash equivalent	2,735
Trade and other payables	(5,562)
Borrowings	(454)
Net identifiable assets and liabilities	518
Goodwill on acquisition	12,156
	12,674
Consideration paid in cash ***	7,674
Consideration paid via share issue	5,000
	12,674

\*\*\* Includes legal fees amounting to \$222k

Goodwill has arisen on the acquisition of Ezipin because of customer relationships that did not meet the criteria for recognition as an intangible asset at the date of acquisition.

The Pod TV acquisition had the following effect on the consolidated entities assets and liabilities:

	<b>Recognised Values 2005 \$'000</b>
Property, plant and equipment	137
Intangibles	240
Trade and other receivables	186
Cash and cash equivalent	73
Trade and other payables	(544)
Borrowings	(84)
Net identifiable assets and liabilities	8
Goodwill on acquisition	2,435
	2,443
Consideration paid in cash	66
Consideration paid via share issue*	2,377
	2,443

\* Includes legal fees amounting to \$40,000

**ON Q GROUP LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Half-Year Ended 31 December 2006

**NOTE 8: ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)**

Goodwill has arisen on the acquisition of Pod TV because of customer relationships that did not meet the criteria for recognition as an intangible asset at the date of acquisition.

Recognised values and the carrying amount of all the assets and liabilities acquired during the half-year are identical.

**Disposals**

No entities within the consolidated group were disposed of during the half-year ended 31 December 2006 or 31 December 2005.

**NOTE 9: LOANS AND BORROWINGS**

The following loans and borrowings were issued and repaid during the six months ended 31 December 2006.

During the period the company obtained a commercial bill facility with a limit of \$4,000,000. At 31 December 2006 \$3,218,810 of this facility was drawn down. Furthermore a subsidiary of the company, Bopo Cards (Australia) Pty Ltd obtained a Variable Rate Commercial Bill Acceptance Discount Facility of \$2,335,000 and an Indemnity/Guarantee Facility – Financial Guarantees of \$20,000.

**NOTE 10: DIRECTOR LOANS**

- (i) Details of aggregated loans to specified directors and executives are as follows:

	Balance at the beginning of the period (\$)	Interest charged (\$)	Interest not charged (\$)	Write- off (\$)	Balance at the end of the period (\$)
31/12/2006	2,696,521	121,343	-	-	2,817,864
30/06/2006	3,726,363	288,884	-	-	2,696,521
30/06/2005	1,272,740	211,675	-	-	3,726,363

- (ii) Details of individuals with loans above \$100,000 in the reporting period are as follows:

	Balance at the beginning of the period (\$)	Interest charged (\$)	Interest not charged (\$)	Write- off (\$)	Balance at the end of the period (\$)
Peter J McDougall	2,696,521	121,343	-	-	2,817,864

Interest has been charged at 8% per annum.

**ON Q GROUP LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Half-Year Ended 31 December 2006**

**NOTE 10: DIRECTOR LOANS (Continued)**

The above represents the balance of the director's loan accounts that have been consolidated and made subject to a loan agreement on 15 October 2005, which is fully repayable over 5 years, with six monthly instalments, and subject to interest at 8% per annum. The loan is secured by a guarantee from a director related entity of Peter McDougall (Kinarra Pty Ltd) and escrow of Kinarra's shares in On Q Group Limited.

The above amount is the aggregate amount owed to the consolidated entity by Director Peter J Mc Dougall and the following director related entities: Brentwood Pty Ltd, Kinarra Pty Ltd, Auldwood Pty Ltd, Oakdale Finance Pty Ltd, Australian Fresh Juices Pty Ltd, Blooms of Melbourne, Murray Park Farms & Murray Park Dairy.

Other director related parties to Peter J McDougall include former director Dugal McDougall and former alternate director, Lisa Clauss.

The above balance has been disputed by Peter J McDougall who has stated that it should be reduced by amounts claimed to be owing to him or entities related to him. The other directors of On Q Limited do not concur with this view and believe the amount is fully recoverable as it is subject to an enforceable loan agreement.

**NOTE 11: CONTINGENT LIABILITIES AND COMMITMENTS**

There are no additional contingent liabilities or material commitments other than those disclosed in the financial report for the year ended 30 June 2006.

**ON Q GROUP LIMITED AND ITS CONTROLLED ENTITIES**  
**For the Half-Year Ended 31 December 2006**

**DIRECTORS' DECLARATION**

In the opinion of the directors of On Q Group Limited:

1. the financial statements and notes, as set out on pages 6 to 16 are in accordance with the Corporations Act 2001 and:
  - a) give a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
  - b) comply with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Hal Christiansen', written in a cursive style.

Chairman  
**Hal Christiansen**

Dated this 28th day of February 2007

**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF  
ON Q GROUP LIMITED AND CONTROLLED ENTITIES**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of On Q Group Limited and its controlled entities, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and the cash flow statement for the half-year ended on that date, a summary of significant accounting policies, selected explanatory notes and the directors' declaration.

**Directors' Responsibility for the Half-Year Financial Report**

The company's and controlled entities' directors 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 control 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 and controlled entities' 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. As the auditor of On Q Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the 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 followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

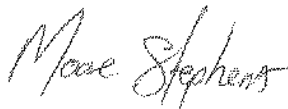
**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of On Q Group Limited and its controlled entities is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and controlled entities' 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 professional reporting requirements in Australia.

**Significant Uncertainty Regarding Outcome of a Dispute with a Director**

Without qualification to the opinion expressed above, we draw your attention to Note 10 to the financial statements. The company is currently in dispute with one of the directors, Peter McDougall, regarding the quantum of a loan due from him. The other directors of On Q Limited believe the loan, as disclosed in the financial statements, is fully recoverable as it is subject to a loan agreement signed and executed by the company and Peter McDougall in October 2005. The ultimate outcome of this matter cannot presently be determined, and no provision for any liability or impairment of any loan receivable that may result has been made in the financial report.



MOORE STEPHENS  
Chartered Accountants



Grant Sincock  
Partner  
Melbourne, 28 February 2007