

On Q Group Limited and its Controlled Entities

ABN 57 009 104 330

Corporate Directory

Hal Christiansen – Chairman

Directors

Ian Christiansen - Non Executive Director
Julian Little - Non Executive Director
Peter McDougall – Non Executive Director
Stephen Fitzgerald – Non Executive Director

Company Secretary

Shannon Ryan

Registered Office

677 The Boulevard
Eaglemont VIC 3084

Solicitors

CIT Lawyers
155 Dorcas Street
South Melbourne VIC 3205

Bankers

ANZ Banking Group Limited

Share Register

Computershare Investor Services Pty Ltd
452 Johnston Street
Abbotsford VIC 3067
Tel: (03) 9415 5000
Fax: (03) 9473 2500

Auditors

Moore Stephens

Internet Address

www.onq.com.au

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ON Q GROUP LTD AND ITS CONTROLLED ENTITIES

CHAIRMAN'S REPORT

International

On Q has continued the development of international business projects. It has signed a ten (10) year (5 + 5) long term partnering agreement with ICB Bank, Vietnam. The operating company On Q Vietnam JSC (with the support of a local partner) has developed substantial staff and capabilities and is currently planning and progressing toward rollout of its products. Continued work effort has been progressing with regard to the Middle East region and the partners in that project are exploring extension and development options so that more is expected from this region and relationship later in the year

National

IP revenues and Electronic Business Management System EBMS royalty stream arising from the Bill EXPRESS business has continued to grow for the 06/07 year. The fruit and beverage division has been closed. The legal action involving the recovery of director related loans is continuing with finalisation expected in the first quarter 2008.

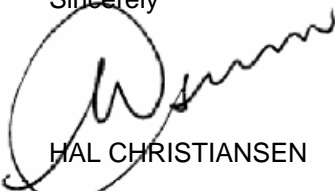
The expansion of the Bill Express network and the growth in the sale of prepaid products has continued to drive the growth in the revenue of the company during the past financial year. The result in this area of the business has been impacted by the significant depreciation and amortisation costs. These costs have increased by 69% or \$9.429 million to \$23.146 million for the twelve month period. Furthermore, earnings before interest, tax, depreciation and amortisation ("EBITDA") have increased by 45% to \$36.257 million for the year ended 30 June 2007 (2006: \$25.067 million).

The number of contracted billers grew to 376 billers at 30 June 2007 from 364 billers at 30 June 2006. The small increase in the number of new billers is the result of the majority of the major Australian billers now being contracted to Bill Express. The company is currently negotiating with its billers to join bopo Payments, the company's new web portal and SMS bill payment platform.

The number of active bill payment terminals grew to 4,703 (2006: 3,717) during the period. At 30 June 2007 there were 13,999 (2006: 14,168) active terminals in the DialTime network. The decrease in the number of active terminals is a result of a review of the performance of all the terminals in the network. Terminals with unsatisfactory performances were removed or redeployed in new locations during the course of the current financial year. The average revenue per terminal has grown from \$55,000 per terminal to \$72,000, an increase of 31%. This growth illustrates the success of the strategy to establish the network, and then drive more revenue through the established infrastructure.

During the course of the current financial year the bopo prepaid Visa card was launched. This area of the business contributed to the profit in the current period. Extensive promotion is commencing in this current half year with program partners and branding including MTV, Pink Ribbon Cancer charity, Cosmopolitan, Dolly, New Weekly, Women's Weekly and other significant brands and associations.

Sincerely



HAL CHRISTIANSEN
CHAIRMAN

ON Q GROUP LTD AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The directors present their report together with the financial report of On Q Group Limited ("the Company") and of the Group being the Company, its subsidiaries and the Group's interest in associates for the financial year ended 30 June 2007 and independent audit report thereon.

Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a director of On Q Group Limited at any time during or since the end of the financial year is provided below, together with details of the company secretary as at the year end.

Ian Christiansen (Non-Executive Director) (Company Secretary resigned 10th April 2007)

Ian began business as a retailer in 1984 and co-founded On Q in 1989. He was the General Manager of On Q through its formative years. Ian has developed the internal management team and systems to support the rapid growth of Bill Express. Ian is also a foundation member of Software Engineering Australia. He is the Chief Executive Officer of Bill Express Limited. He is currently a director of Bill Express Limited and has been on that board since 31 July 2000. Ian Christiansen has been a director since 8 July 2003.

Hal Christiansen, B.Bus. (Accounting) (Executive Director and Chairman)

Hal has been the Managing Director of On Q since its formation and Dialtime Pty Ltd before it changed its name to Bill Express Limited. He has been the driving force behind the creation and development of many of the technology based products. He began business as a service station operator in the petroleum industry in 1984, co-founded On Q in 1989, and is a foundation member of Software Engineering Australia. Hal has been a director since 18 March 2001 and Chairman since 20 April 2006. Hal is also a director of Bill Express Limited and has been on that board since 21 October 1999.

Julian Little, B.Comm (Economics & Politics) (Non-Executive Director – Strategic Development)

From 1991 Julian operated his own company as the NSW agent for On Q before merging with On Q in 1998. He has been instrumental in the execution of the strategies and commercialisation of the products within DialTime and Bill Express. He is now responsible for Strategic Development. Julian has been a director of Bill Express Limited since 31 July 2000. He has been a director since 18 March 2001.

Peter J McDougall (Non-Executive Director)

Peter's family company is the principal shareholder of On Q Group Limited, which he listed on the ASX and of which he was the Chairman. He has been a director of On Q Group Limited since 30 July 1999. Peter has had over 30 years of management and entrepreneurial experience. This has included management at Mary Kay Cosmetics; forming and listing Sonic Technology Australia Limited (now Sonic Healthcare Limited), of which he was Chairman and Managing Director until 1993; and founding the now ASX-listed Silex Systems Limited.

Peter has been a director since 30 July 1999.

Dugal McDougall (Non-Executive Director)

Dugal has retailing and marketing experience spanning 15 years. In 1996, he was co-founder of Australian Pure Fruits (SA) Pty Ltd, of which he remains a Director. He has also been a Director since 30 July 1999, and has been involved in the growth of the business and its diversification through the acquisition of On Q in 2001. He resigned 30 November 2006.

Lisa Clauss (Alternate director for Dugal McDougall)

Director since 27 September 2000. Resigned 30 November 2006.

Doone McDougall (Alternate director for Peter J McDougall)

Director since 27 September 2000. Resigned 12 December 2006.

Stephen Fitzgerald (Non-Executive Director)

Stephen has over 6 years experience as a manager of private funds for US clients. He has experience in capital raisings, placements, rights issues and mergers and acquisitions. His experience away from the finance sector includes General management of a 5 star hotel and current owner of an award winning restaurant and function centre in Sydney.

Appointed 30 November 2006.

Shannon Ryan (Company Secretary)

Shannon has over 10 years experience advising public companies on aspects of fundraising, director's duties and compliance. Immediately prior to joining On Q Group Ltd, Shannon was a partner of a national law firm. Shannon was appointed 10 April 2007. Ian Christiansen was company secretary prior to Shannon's appointment.

Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meeting		Audit Committee Meetings	
	A	B	A	B
Peter McDougall	10	11		
Hal Christiansen	11	11	4	4
Ian Christiansen	11	11		
Julian Little	11	11	4	4
Dugal McDougall	5	5	1	3
Stephen Fitzgerald	6	6		

A = Number of meetings Attended

B = Number of meetings held during the time the director held office during the year

Corporate Governance Statement

The Board of Directors of On Q Group Limited are responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of On Q Group Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The directors are focused on fulfilling their responsibilities individually and as a Board to all of the company stakeholders. That involves the recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Principles of Good Corporate Governance and Best Practice Recommendations" established by the ASX Corporate Governance Council.

Given the size and structure of the company, the nature of its business, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, the company has adopted some modified systems, procedures and practices which it considers allow it to meet the principles of good corporate governance.

In accordance with the ASX Corporate Governance Council's recommendations, the Corporate Governance Statement must now contain specific information, and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why. The Company's corporate governance principles and policies are therefore structured with reference to the Corporate Governance Council's best practice recommendations, which are as follows:

1. Lay solid foundations for management and oversight;
2. Structure the Board to add value;
3. Promote ethical and responsible decision making;
4. Safeguard integrity in financial reporting;
5. Make timely and balanced disclosure;
6. Respect the rights of shareholders;
7. Recognise and manage risk;
8. Encourage enhanced performance; and
9. Recognise the legitimate interests of stakeholders.

1. Lay Solid Foundations for Management and Oversight.

The Board is responsible for the development of:

- strategy;
- oversight of management;
- risk management and compliance systems; and
- monitoring performance.

The Board has established certain policies and protocols in relation to the Company's operations, some of which are summarised below.

2. Structure the Board to Add Value.

None of the five Directors satisfies the test of independence. The Directors have substantial indirect shareholdings in the Company and/or are fulfilling an executive role and/or are associated directly with a substantial shareholder of the Company.

Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that there is a broad mix of skills required and that given their experience each of the directors are aware of and capable of acting in an independent manner and in the best interests of the shareholders.

The Board of Directors is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the Company on behalf of the Shareholders by whom they are elected and to whom they are responsible. To ensure the Board is well equipped to discharge its

responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board.

3. Promote Ethical and Responsible Decision Making.

The Board has not adopted a code which fully complies with the regulation. However, it has adopted the following principles.

As the Board acts on behalf of and is accountable to the Shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

Trading in the Company's shares and/or options over such shares by Directors and Executives of the Company should only occur in circumstances where the market is considered to be fully informed of the Company's activities. Directors, Executives and Staff are required to discuss their intention to trade in the company's shares with the Chairman of the Company prior to trading. The Board recognises that it is the individual responsibility of each Director and employee to carry this policy through.

Although no formal written policy concerning trading in the company's securities by Directors and Executives has been adopted, there is a clear understanding that the only appropriate time to trade is after an announcement on a fully-informed market.

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. Consequently the Company follows the Code of Conduct established by the Board, which sets out the principles and standards with which all officers and employees are expected to comply in the performance of their respective functions.

All employees and Directors of On Q Group are expected to observe the highest standards of ethics, integrity and behaviour during the course of their employment with the company.

The standards expected include:

- Compliance with Company policies, procedures and contracts;
- Compliance with all reasonable and legal instructions of management; and
- To be honest and fair in dealings with clients, colleagues, Company management and the general public.

Specifically employees and Directors are expected to:

- Act with integrity in the performance of their duties;
- Maintain client confidentiality;
- Exercise proper courtesy consideration and sensitivity in their dealings with clients and colleagues;
- Comply with the provisions of relevant legislation and ethical requirements of their profession;
- Respect the Company's ownership of all Company funds, equipment, supplies, records and property;
- Maintain during employment with the Company and after termination of employment, the confidentiality of any information acquired during the course of the employment with On Q Group Ltd;
- Not make any unauthorised statements to the media about the Company's business;
- Refrain from sexual or other unlawful harassment in the workplace; and
- Observe occupational health and safety rules.

4. Safeguard Integrity in Financial Reporting.

In accordance with the ASX Corporate Governance Council Best Practice Recommendations, the company requires the Chief Executive Officer and Chief Financial Officer to sign a certificate regarding the financial reports giving a true and fair view and being in accordance with accounting standards. Our directors have considerable experience including:

- Julian Little – Bachelor of Commerce (Economics & Politics);
- Hal Christiansen – Bachelor of Business (Accounting); and

In accordance with Recommendation 4.2 of the ASX Corporate Governance Council Best Practice Recommendations, the Board has delegated the responsibility for the establishment and maintenance of a framework of internal control mechanisms for the management of the Company to the Audit Committee.

The Audit Committee comprises:

- Hal Christiansen
- Dugal McDougall (Resigned 30 November 2006)
- Julian Little (Chairman)

The Audit Committee intends to meet at least 4 times per annum and is responsible for:

- the review of accounting policies;
- the detailed review of the company's annual and half yearly financial reports;
- the effectiveness of accounting and internal control systems;
- addressing the findings of the external audit;
- identifying areas of operation, regulatory and legal risk and recommending procedures to the board to ensure those risks are effectively managed; and
- ensuring that conflicts of interest do not arise from services provided by the company's external advisors.

The company does not comply with recommendation 4.3 of the ASX Corporate Governance Council Best Practice Recommendations as none of the directors are independent. The company is seeking to appoint another independent director

The Company has had regard to the independence and expertise of each of its directors, the level of the Company's current operations, the costs of compliance and the effectiveness of previous audits.

The external auditors, Chief Executive Officer and Chief Financial Officer are invited to attend Audit Committee meetings at the discretion of the Committee.

The Audit Committee operates under a formal charter approved by the Board. The Audit Committee charter is disclosed below.

The Company does not have a Compliance Committee. The Chairman and Company Secretary monitors the Company's compliance requirements.

The company has already appointed one independent director and will continue to seek other suitable qualified independent directors, including appointments of independent directors to the audit committee to satisfy the recommendation

Audit Committee Charter

Purpose

To independently verify and safeguard the integrity of the Company's financial reporting processes to ensure the true and fair presentation of the company's financial position and performance in accordance with accounting standards.

Functions

The primary functions of the Audit Committee are to:

- assist the Board in its oversight of the reliability and integrity of accounting policies and financial reporting and disclosure practices;
- provide advice to the Board on financial statements, due diligence, financial systems integrity and business risks to enable the Board to fulfil its fiduciary and stewardship obligations;
- assist the Board in establishing and maintaining processes to ensure that there is:
 - compliance with all applicable laws, regulations and company policies; and
 - an adequate system of internal control, management of business risks and safeguard of assets;
- ensure the independence and competence of the Company's external audits as required by the Corporations Act.

In addition, the Audit Committee is responsible for approving all audit engagement fees and programs, as well as all non-audit engagements.

The Board has approved operating principles to give effect to the Audit Committee charter.

Relationship with the Board

The Audit Committee reports to the Board following each Audit Committee meeting. The Board will ensure that an annual review of the performance of the Audit Committee is conducted.

The establishment of the Audit Committee does not diminish the responsibilities of the Board with respect to the matters set out in this charter.

Membership

In accordance with corporate governance best practice it is intended that:

- the Audit Committee is comprised of at least 3 members, and all members are non-executive directors who:
 - are independent of On Q Group management and free from any relationship that, in the business judgment of the Board, would interfere with the exercise of their independent judgment as a member of the Audit Committee; and
 - are financially literate (able to read and understand financial statements) and have sufficient financial knowledge, understanding and experience to allow them to discharge their duties and at least one member shall be a qualified accountant or equivalently qualified professional;
- the chairman of the Audit Committee is not the chairman of the board of directors;
- the Chief Executive Officer is not a member of the Audit Committee;
- no director may serve as a member of the Audit Committee if such director serves on the Audit Committees of more than two other public companies;
- Audit Committee members may only receive the following compensation from On Q Group:
 - director's fees (including committee fees), which may be received in cash, shares, superannuation contributions or other in-kind consideration ordinarily available to non executive directors;
 - any other regular benefits that other On Q Group non-executive directors receive.

Appointment, Replacement and Removal

The Board is responsible for appointing members to the Audit Committee. Members are appointed until further notice from the Board.

If an Audit Committee member resigns, is removed, ceases to be a non-executive Director or is otherwise unable to perform his or her duties, the Board may fill the vacancy.

The Board may remove an Audit Committee member by giving at least one month's written notice to that Audit Committee member.

Minutes

Meetings are formally minuted. The chair must ensure that minutes of the Audit Committee meetings are kept and include details of all records, recommendations and actions required. The minutes are available to Audit Committee members and the Board.

Reporting

Reports shall be made to the Board setting out matters relevant to the Audit Committee's role and responsibilities.

The Audit Committee shall provide to the Board the following information in each year to be included in the annual report:

- a) full details of Audit Committee meetings;
- b) number of meetings and the attendees; and
- c) explanations as to any departures from the best practice recommendation for Audit Committees.

Meetings

The Audit Committee intends to meet at least 4 times per year, or more frequently as circumstances require. Board members are entitled to attend Audit Committee meetings. The Audit Committee may meet separately with the Chief Executive Officer, Chief Financial Officer, management, other executives and the auditors, in relation to matters that it wishes to discuss privately. The Audit Committee must, annually, meet separately with the auditors, with and without management present.

Rights to Information and Reports

The Audit Committee members have the right to:

- a) receive such reports as they deem necessary to carry out their functions and responsibilities; and
- b) seek additional information as is necessary to adequately discharge their obligations.

The Auditors

The Audit Committee has the responsibility for:

- recommending the appointment, and where appropriate, the replacement of the auditors;
- evaluating the auditors; and
- authorising any non-audit engagements of the auditors.

Non-audit engagements

On Q Group Limited will not engage the auditors to perform any of the following non-audit services for On Q Group:

- bookkeeping services and other services related to preparing On Q Group's accounting records or financial statements;
- financial information system design and implementation services;
- appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- actuarial services;

- internal audit services;
- management functions or human resources;
- broker or dealer, investment adviser, or investment banking services; and
- legal services or expert services unrelated to the audit.

On Q Group may only engage the auditors in respect of other non-audit services if:

- the Audit Committee has expressly approved the provision of the non-audit service; and
- the performance of the non-audit service will not cause the total annual revenue to the auditors from non-audit work to exceed the aggregate annual amount of the auditors' audit fees.

The Audit Committee must not approve the provision of a non-audit service by the auditors if the provision of the service would compromise the independence of the auditors.

Rotation of External Audit Engagement Partners

The Audit Committee will recommend, where appropriate, that the External Audit Engagement Partner is rotated on at least a 5 yearly basis.

Assistance

Subject to the Constitution and the Corporations Act, the Audit Committee may select, retain, terminate and approve the fees and other retention terms of special or independent counsel, accountants or other experts, as it deems appropriate, without seeking approval of the Board or management.

5. Make Timely and Balanced Disclosure.

The Board and Senior Management are aware of the Continuous Disclosure requirements of the ASX and have procedures in place to disclose any information concerning the Company that a reasonable person would expect to have a material effect on the price of the company's securities.

The Chief Executive Officer, Chairman and Company Secretary are authorised to make statements and representations on the Company's behalf. The Company Secretary is responsible for overseeing and coordinating the disclosure of information to the ASX, analysts, stockbrokers, shareholders, the media and the public.

The Company also publishes on its website the Company's annual report, profit announcements, notices of meetings, media releases and any other information that relates to the performance and activities of the Company.

The Company is committed to giving all shareholders comprehensive and equal access to information about our activities and to fulfilling its continuous disclosure requirements to the wider market.

6. Respect the Rights of Shareholders.

The Board aims to ensure that all shareholders are informed of major developments affecting the affairs of the Company. Information is communicated to the shareholders through the annual and half year reports, disclosures made to the ASX, notices of meetings and occasional letters to shareholders where appropriate.

The auditor is invited to attend each Annual General Meeting of the Company and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. The Chairman ensures that appropriate time is allocated to the auditor at the Annual General Meeting to answer all shareholder questions relevant to the conduct of the external audit.

7. Recognise and Manage Risk.

The Board has procedures in place to recognise, assess and manage risk in accordance with the Principles of Good Corporate Governance and Best Practice Recommendations. The Board takes a proactive approach to risk management. The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis. The Company's objectives and activities are aligned with the risks and opportunities identified. The Board believes that it is crucial for all Board members to be a part of this process and as such the Board has not established a separate Risk Management Committee.

The Chief Executive Officer and Chief Financial Officer state to the Board, in writing, that the statement given in accordance with the best practice recommendation regarding the integrity of financial statements is founded on a system of risk management and internal compliance and control that implements the policies adopted by the Board. The statement provided by Chief Executive Officer and Chief Financial Officer includes a comment that the risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

8. Encourage Enhanced Performance.

The performance of the Board and key executives is reviewed regularly.

The Board is responsible for determining and reviewing the remuneration and performance of the Directors and the Executive Officers of the Company and reviewing the operation of the Company's Employee Option Plan. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating, and retaining executives with the skills to manage the Company's operations.

9. Recognise the Legitimate Interests of Stakeholders.

The Board recognises the legitimate interests of shareholders, employees and other stakeholders.

On Q Group Limited is committed to protecting the environment and safeguarding public and employee health in all aspects of its operations. Environmental protection and safe conduct are the responsibility of On Q Group Limited, its employees, its alliance partners and suppliers of goods and services. Specifically, the Company will comply with the intent and provision of all applicable laws, regulations and standards.

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. Consequently the Company follows the Code of Conduct established by the Board, which sets out the principles and standards with which all officers and employees are expected to comply in the performance of their respective functions.

Principal Activities

The principal activities of the consolidated entity during the financial year were:

- The management and development of an electronic distribution system for pre-paid products and services across in excess of 14,000 locations around Australia, automated ordering, delivery and inventory control for pre-paid services including mobile, landline and internet services;
- Processing payments for bills and services including bills that are presented for payment to Bill Express outlets across Australia;
- The licensing of intellectual property and the provision of network access and hosting services;
- Managing the sale of the Bopo prepaid Visa cards and the operation of a prepaid card network; and
- In-store media which is a network that promotes On Q Group Limited's and other products at the point of sale and in-store aisles.

There have been no other significant changes in the nature of the consolidated entity's activities during the financial year.

Operating and financial review

Review of Operations of On Q Group

The financial year of 2006/2007 has been a year of rapid growth and significant developments within the consolidated entity, with annual turnover increasing from \$787 million to \$1.025 billion, an increase of 30.2%.

The consolidated net profit from ordinary activities after income tax expense is \$0.402 million. This is a \$10.369 million increase on the prior year.

It is anticipated that revenue will commence during the current financial year from international projects with the most advanced project being Vietnam.

Review of Operations of Bill Express Group

The financial year of 2006/2007 has been a year of rapid growth and significant developments within the consolidated entity, with annual turnover increasing from \$786.9 million to \$1,021 million, an increase of 29.8%. Total revenues have increased significantly as a result of an increase in the number of transactions being processed by each of the active terminals in the Bill Express network. The launch of the Bopo prepaid Visa card has generated further returns for the company.

The overall performance of the company has decreased as a result of the increase in the depreciation and amortisation expense incurred by the company. The company has now completed its roll out of the network.

During the course of the current period the company has continued to generate revenue through the sale of licences and provision of access to its network. This confirms that the company has developed one of the leading electronic distribution networks in Australia. The network value and potential is being recognised by third parties who are entering into financial arrangements with the company to gain access to the network for their own benefit. This trend is expected to continue in future periods.

The group has a strategy of leveraging its intellectual property assets by licensing them to other parties who can recognise their benefits. The group has received significant income from these activities of approximately \$10 million in each of the last two years.

The group receives significant licence, access and hosting fee income on an ongoing basis from a third party which is experiencing significant growth. As part of this arrangement the group has acquired fully insured receivables of approximately \$49.5 million. This has been a significant factor behind the increase in the company's debt obligations of \$38.2 million.

In February 2001, the predecessor group of companies to what is now known as Bill Express Limited was acquired by the then named Australia Pure Fruits Limited. Australian Pure Fruits Limited changed its name to On Q Group Limited on 7 December 2005. On Q Technologies Pty Ltd, a subsidiary of On Q Group Limited is a technology business that has developed an Electronic Business Management System (EBMS) that is capable of being modified to many different business applications. On Q Group Limited has granted a perpetual licence to Bill Express Limited to use the EBMS in its business operations. After its listing in October 2004, Bill Express is required to pay a royalty fee to On Q Technologies Pty Ltd for the use of the EBMS software. The royalty fees for 2006/2007 financial year were \$1,581,964 (2006: \$1,244,434) which is based on a fixed 0.16% of total Bill Express revenue.

Bill Express Limited has used the EBMS to develop an electronic sales, distribution, and payment systems network. Bill Express Limited products and services include a bill-payment service, competitive to that of Australia Post, in a variety of outlets across Australia, under the banner Bill Express. This network is currently second only to Australia Post in the number of outlets for bill payments.

At 30 June 2007, the group had 4,703 (30/6/06: 3,717) Bill Express trading sites located around the country. The increase in Bill Express trading sites can be attributed to the increased product offering the network now offers and the conversion of some Dialtime sites to Bill Express sites. At 30 June 2007, Bill Express had contracted 376 (30/6/06: 364) billers to use the network as a payment solution. This is an increase of 12 billers during the year. The small increase in the number of new billers is the result of the majority of the major Australian billers now being contracted to Bill Express. The company is currently negotiating with its billers to join bopo Payments, the company's new web portal and SMS bill payment platform.

Bill Express Limited also operates one of Australia's widest pre-paid electronic sales networks, under the banner DialTime, with 13,999 (30/6/06: 14,168) locations across Australia at 30 June 2007. The decrease in the number of active terminals is a result of a review of the performance of all the terminals in the network. Terminals with unsatisfactory performances were removed or redeployed in new locations during the course of the current financial year. The average revenue per terminal has grown from \$55,000 per terminal to \$72,000, an increase of 31%. This growth illustrates the success of the strategy to establish the network, and then drive more revenue through the established infrastructure. Bill Express and DialTime outlets are located in various supermarket chains, newsagents, department stores and other retail outlets that offer extended trading hours. The depth and type of outlays allows Bill Express to offer a more flexible in-person pre-paid product and bill-payment service to consumers. The decrease in the number of terminals in the network is due to the company reviewing the performance of the locations of its terminals across its network. As a result of the strategic review sites not achieving specified target levels of performance were withdrawn from the network.

During the course of the current financial year the bopo prepaid Visa card was launched. This area of the business contributed to the profit in the current period. Extensive promotion is commencing in this current half year with program partners and branding including MTV, Pink Ribbon Cancer charity, Cosmopolitan,

Dolly, New Weekly, Women's Weekly and other significant brands and associations. Approximately \$4 million has been loaded onto the cards to 30 June 2007 with 23.5% of the card loads occurring in the month of June 2007. Bopo cardholders can top up at any of the 4,700 plus Bill Express locations. There is no need for the cardholder to have a linked bank account. This makes the bopo card ideal for use by anyone unable or unwilling to use a credit card.

During the 2007 financial year the company has begun to pursue a new direction in the media division with the launch of Xip Media. The media division was restructured towards the end of the 2007 financial year. The restructure is expected to significantly improve the performance of the media division in future periods.

During December 2006 Bill Express launched a range of Prepaid Magazine Gift Cards, giving Bill Express positioning at the forefront of the worldwide gift card industry. Magazine Gift Cards have been added to a range of products marketed through the Bill Express terminals. This is a sophisticated form of the gift voucher operating through the Bill Express network.

Strategy and future performance

The additional products and billers being added to the existing Bill Express network in future periods will lead to increased transaction levels. This is expected to continue to drive increased revenue and profitability in the future.

The bopo card is issued under an agreement with Cuscal Limited, a leading supplier of wholesale financial services to credit unions and other customers. Bill Express will continue to promote, distribute and manage the operation of the bopo card both in its own right and in conjunction with various program partners. The Company will be focussing on the distribution and development of this product in conjunction with a number of third parties over the coming year. During the course of the year the company has continued to develop the functionality of the bopo card which will present significant future revenue generating opportunities for the company in 2008 and beyond.

The media sales division has begun to turn around with Xip Media Pty Ltd contributing to the improvement of this division. The change in sales strategy of this business unit is expected to further improve performance in the 2008 year and beyond. This company is well positioned to capitalise on the digital signage revolution in future periods. During the 2008 financial year the company will pursue a new direction in the media division with Xip Media now incorporating Pod TV. This new strategy will see the product mix of the company continue to evolve to further increase revenues to add to the traditional revenue base.

Review of financial condition

Capital structure and treasury policy

The debt to equity ratio (total liabilities to total equity) as at 30 June 2007 increased from 2.0 at 30 June 2006 to 3.1

Liquidity and funding

Borrowings increased by \$38 million, due primarily to the business growth and funding of third party receivables.

Cash flows from operations

The cash flow from operations of the consolidated entity continues to improve as a result of the continued growth and profitability of the business.

Significant Changes in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

Dividend Paid, Recommended and Declared

No dividends were paid, declared or recommended since the start of the financial year.

After Balance Date Events

On 16 July 2007 Bill Express issued a Convertible Note with a face value of \$11,800,000. The note is convertible at any time by the note holder by giving notice in writing to the company. The note must be redeemed by the Company at the end of the Term (120 days from issue) if the note holder has not served a notice on the Company to convert into shares. The note converts into such number of fully paid ordinary shares as equates to the total amount outstanding under the Note divided by \$0.20.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Likely Developments

The consolidated entity will continue to pursue its expansion of the Bill Express bill-payment and prepaid services. Growth is expected to come from existing products maturing, new sites and new products being added to the network.

At the date of this report, there have been several developments in the operations of the consolidated entity that are likely to be finalised in the next year. These include:

- The development of the Xip Media business; and
- Further development of the bopo prepaid Visa card business.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operation in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory, however the Company has instigated an environmental code of practice as part of the Company's corporate governance practices.

Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the consolidated entity and other related bodies corporate, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	On Q Group Limited	
	Ordinary Shares	Options over ordinary shares
Hal Christiansen	8,681,009	-
Ian Christiansen	6,263,760	-
Stephen Fitzgerald	1,898,427	-
Julian Little	6,339,250	-
Other Directors*	7,794,978	7,015,438

* Peter McDougall, Dugal McDougall (since resigned), Lisa Clauss (since resigned) and Doone McDougall (since resigned) have a relevant interest in these shares and options.

Share Options

During or since the end of the financial year, On Q Group Limited has not granted any options for no consideration over unissued ordinary shares in On Q Group Limited to any of the directors nor to any of the five most highly remunerated officers of the Company as part of their remuneration.

All options expire on the earlier of their expiry date or termination of the employee's employment.

Unissued ordinary shares of OnQ Group Limited under option at the date of this report are as follows:

Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
7,714,265	30 cents	30 May 2008
800,000	30 cents	30 May 2008

No option holder has any right under the options to participate in any other share issue of the company or any other body corporate.

During or since the end of the financial year, On Q Group Limited has not granted any options for no consideration over unissued ordinary shares in On Q Group Limited to any of the directors nor to any of the five most highly remunerated officers of the Company as part of their remuneration.

All options expire on the earlier of their expiry date or termination of the employee's employment. Further details regarding options granted as remuneration are provided in the Remuneration Report below.

Unissued ordinary shares of Bill Express Limited under option at the date of this report are as follows:

Expiry date	Exercise price	Number of shares
30 June 2009	25 cents	61,200,000
30 June 2010	25 cents	1,059,500

No option holder has any right under the options to participate in any other share issue of the company or any other body corporate.

On 15 February 2005, the company announced the issue of up to 14,000,000 options to be used to provide incentives to key staff and executive management. Of this balance 1,059,500 options have been issued as recorded above.

On 9 August 2006 600,000 options at 25 cents were issued due to a milestone being reached as part of an asset purchase agreement. These options expire on 30 June 2009.

Shares Issued On Exercise of Options

212,496 shares were issued after the exercise of options on 30th March 2007.

During or since the end of the financial year, On Q Group Limited has not issued any ordinary shares as a result of the exercise of options. There are no amounts unpaid on shares issued on exercise of options.

Indemnification and Insurance of Directors, Officers and Auditors:

The company, to the extent permitted by law, indemnifies each Director, alternate Director, or principle executive officer (and any person who has previously served in any such capacity) against any liability or cost incurred by the person as an officer of the Company, or a related body corporate of the Company, including but not limited to liability for costs incurred in defending proceedings in which judgment is given in favour of the person or in which the person is acquitted. The indemnity may be extended to other employees at the discretion of the Directors. Further disclosures (required under section 300 of the Corporations Act 2001) are prohibited under the terms of the contract. Furthermore, the directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of directors' and officers' liability and expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

Proceedings on Behalf of the Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

Non-Audit Services

During the year Moore Stephens, On Q Group Limited's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, Moore Stephens, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed.

	Consolidated	
	2007	2006
	\$	\$
Audit services of On Q Group Ltd		
Moore Stephens		
Audit and review of financial reports	90,000	-
Other Auditors of the company	-	479,000
Auditors of Bill Express Ltd		
KPMG Australia		
Audit and review of financial reports	287,000	-
Other Auditors		
Audit and review of financial reports	-	-
	<u>377,000</u>	<u>479,000</u>
Other Audit services of On Q Group Ltd		
Auditors of the company	5,000	-
Other Auditors of the company		
Taxation services	-	134,000
Other assurance services	-	50,000
Auditors of Bill Express Ltd		
KPMG Australia		
Other assurance services	125,839	-
Regulatory audit services	10,000	-
Taxation services	31,296	-
Other Auditors		
Taxation services	-	-
	<u>172,135</u>	<u>184,000</u>

Prior year comparatives relate to fees paid/payable to Pitcher Partners, the Company's previous auditors.

Remuneration Report

Principles of compensation - audited

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and senior executives. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration of directors and executives is referred to as compensation as defined in AASB 124.

Compensation levels for key management personnel and the secretary of the Company and relevant key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Remuneration Committee obtains independent advice on the appropriateness of compensation packages of both the Company and consolidated group given trends in comparative companies and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segments' performance;
- the consolidated entity's performance including:
 - the consolidated entity's earnings;
 - the growth in share price and delivering constant returns on shareholder wealth; and
 - The amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed and variable compensation and short- and long-term performance-based incentives.

In addition to their salaries, the consolidated entity also provides non-cash benefits to its key management personnel, and contributes to post-employment superannuation plans on their behalf.

Fixed remuneration - audited

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually through a process that considers individual, segment and overall performance of the consolidated entity. In addition external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Performance-linked remuneration

Performance-linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an "at risk" bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of Bill Express Limited under the rules of the Employee Share Option Plan.

Long-term incentive

Options are issued under the Employee Share Option Plan and it provides for key management personnel to receive options over ordinary shares for no consideration.

The ability to exercise the options is conditional on the consolidated entity achieving certain performance hurdles. The performance hurdles comprise the consolidated company reaching and exceeding its budgeted profit forecast.

Short-term incentive bonus

Each year KPI's (key performance indicators) for the key management personnel are set. The KPI's generally include measures relating to the consolidated entity, the relevant segment and the individual, and include financial, people, customer and strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPI's of the consolidated entity and to its strategy and performance.

The financial performance objectives are "profit after tax" and "return on capital employed" compared to budgeted amounts. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, customer satisfaction and staff development.

Non-executive directors

Total compensation for all non-executive directors of the parent company, last voted upon by shareholders at the Annual General Meeting, is not to exceed \$250,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees are presently up to \$40,000 per annum.

The Chairperson presently receives a base fee up to \$50,000. Non-executive directors do not receive performance related remuneration. Directors' fees cover all main board activities and membership of committees. Non-executive director members who sit on more than one committee do not receive any additional payment. Non-executive directors receive fees and do not receive options or bonus payments.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for directors by resolution. Further details regarding components of directors' and executive remuneration are provided in the notes to the financial statements.

The Executive Directors of the controlled entity, Bill Express Limited, are entitled to receive cash bonuses for that Company achieving Net Profit After Tax (NPAT) as follows;

- a) In year 1, a bonus which triggers at \$6.5m NPAT in the sum of 15% of base salary stepping up at various levels of NPAT up to a maximum of 200% of base salary for NPAT of \$20m;
- b) In year 2, a bonus which triggers at \$8m NPAT in the sum of 15% of base salary stepping up at various levels of NPAT up to a maximum of 175% of base salary for NPAT of \$25m; and
- c) In year 3, a bonus which triggers at \$8m NPAT in the sum of 15% of base salary stepping up at various levels of NPAT up to a maximum of 200% of base salary for NPAT of \$30m.

No bonuses have been accrued for the year ended 30 June 2007.

Directors' Remuneration - audited

2007	Short-term			Post employment	Other long term benefits	Termination benefits	Share based payments Options	TOTAL
	Salary & fees	STI Cash bonus	Non-monetary benefits	Super-annuation benefits				
	\$	\$	\$	\$	\$	\$	\$	\$
Peter McDougall	297,124	-	-	19,238	-	-	-	316,362
Hal Christiansen	113,643	-	-	4,541	-	-	-	118,184
Ian Christiansen	304,304	-	-	23,787	-	-	-	328,091
Julian Little	304,304	-	-	23,787	-	-	-	328,091
Michael Doery	75,688	-	-	6,812	-	-	-	82,500
Greg Daniel	28,582	-	-	2,572	-	-	-	31,154
Chris Murphy	17,202	-	-	1,548	-	-	-	18,750
Craig Brown	16,628	-	-	1,497	-	-	-	18,125
Dugal McDougall	60,000	-	-	-	-	-	-	60,000
Tristan Fischer	20,000	-	-	-	-	-	-	20,000
Leath Nicholson	109,615	-	-	10,385	-	-	-	120,000
Philip Jones	13,333	-	-	-	-	-	-	13,333
Stephen Fitzgerald	40,000	-	-	-	-	-	-	40,000
	1,400,423	-	-	94,167	-	-	-	1,494,590

2006	Short-term			Post employment		Equity Options	TOTAL
	Salary fees	Cash Bonus	Non-monetary	Super	Retirement benefits		
Peter McDougall	253,123	-	-	12,941	-	-	266,064
Hal Christiansen	227,500	-	-	13,811	-	-	241,311
Ian Christiansen	220,962	-	-	13,811	-	-	234,773
Julian Little	223,364	-	-	13,811	-	-	237,176
Dugal McDougall	67,500	-	-	-	-	-	67,500
Tristan Fischer	99,205	-	7,000	7,000	-	-	113,205
Philip Jones	37,500	-	-	-	-	-	37,500
	1,129,154	-	7,000	61,376	-	-	1,197,529

Executives' Remuneration - audited

	Short-term			Post employment	Other long term	Termination benefits	Share based payments Options *	TOTAL
	Salary & fees	STI Cash bonus	Non-monetary benefits	Super-annuation benefits				
	\$	\$	\$	\$	\$	\$	\$	\$
2007								
Marc Lichtenstein	168,116	-	26,146	14,512	-	-	38,786	247,560
Peter Couper	195,000	-	-	17,550	-	-	-	212,550
2006								
Marc Lichtenstein	171,585	-	12,901	13,600	-	-	26,277	224,363
Peter Couper	171,585	-	-	13,600	-	-	-	185,185

* The options have been valued by adopting the Black Scholes valuation model and are allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair Value Per Option	Exercise Price	Price of Shares on Grant Date	Estimated Volatility	Risk Free Interest Rate	Dividend Yield
27 June 2005	30 June 2010	2.4 cents	25 cents	23 cents	27%	5%	nil
14 October 2005	30 June 2010	10.82 cents	25 cents	28 cents	27%	5%	nil

There were no other key management personnel employed by the company or the consolidated entity in the 2006 or 2007 financial year.

In accordance with the remuneration policy described above, options granted as remuneration are subject to continuing service with the company. Options granted as remuneration are valued at grant date in accordance with AASB 2 Share-based Payments. No options previously granted as remuneration have lapsed or been exercised during the year.

	Proportion of remuneration performance related		Value of options as proportion of remuneration	
	2007	2006	2007	2006
Peter McDougall	-	-	-	-
Hal Christiansen	-	-	-	-
Ian Christiansen	-	-	-	-
Julian Little	-	-	-	-
Michael Doery	-	N/A	-	N/A
Greg Daniel	-	N/A	-	N/A
Chris Murphy	-	N/A	-	N/A
Craig Brown	-	N/A	-	N/A
Dugal McDougall	-	-	-	-
Tristan Fischer	-	-	-	-
Shannon Ryan	-	-	-	-
Stephen Fitzgerald	-	-	-	-
Philip Jones	-	-	-	-
Leath Nicholson	-	N/A	-	N/A
Marc Lichtenstein	-	-	15.7	11.7%

Details of performance related remuneration

Details of the consolidated entity's policy in relation to the proportion of remuneration that is performance related is discussed above.

Analysis of bonuses included in remuneration - unaudited

During the period there have been no short-term incentive cash bonuses awarded as remuneration to each director of the Company and each of the five named Company executives and relevant group executives.

Equity instruments - audited

All options refer to options over ordinary shares of Bill Express Limited, which are exercisable on a one-for-one basis under the Employee Share Option Plan.

Options and rights over equity instruments granted as compensation - audited

There were no options or rights over equity granted in the current financial year. No options vested or lapsed during the current financial year.

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the 2006 reporting period and details on options that were vested during that reporting period are as follows:

	Number of options granted during 2006	Grant Date	Number of options vested during 2006	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry Date
Executives Marc Lichtenstein	684,500	14 October 2005	-	10.82 cents	25 cents	30 June 2010

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable anytime after two years from grant date. In addition to a continuing employment service condition, there are no other performance hurdles that are required to be met for the options to be exercised. The options were only issued as a result of the company meeting and or exceeding its targeted profit for the financial year ending 30 June 2005. For options granted in the 2006 financial year, the earliest exercise date is 14 October 2007.

Further details, including grant dates and exercise dates regarding options granted to executives under the Employee Share Option Plan are in the Employee Benefits Note 21(b) in the financial statements.

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

During the reporting period there were no options issued as compensation to any key management personnel that have lapsed or been forfeited.

Exercise of options granted as compensation - audited

During the reporting period there were no shares issued as a result of the exercise of options previously granted as compensation.

Unissued shares under options

Unissued ordinary shares of On Q Group Limited under option at the date of this report are as follows:

Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
7,714,265	30 cents	30 May 2008
800,000	30 cents	30 May 2008

At the date of this report unissued ordinary shares of the Bill Express Ltd under options are:

Expiry date	Exercise price	Number of shares
30 June 2009	25 cents	61,200,000
30 June 2010	25 cents	1,059,500

All options expire on the earlier of their expiry date or termination of the employee's employment. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Rounding of Amounts

The amounts contained in the report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100 dated 10 July 1998. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.



Julian Little

Director

Melbourne

2 November 2007

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

I declare that, to the best of my knowledge and belief, during year ended 30 June 2007 there has been:

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



MOORE STEPHENS
Chartered Accountants



Grant Sincok
Partner

Melbourne, 2 November 2007

ON Q GROUP LIMITED
ABN 57 009 104 330
AND ITS CONTROLLED ENTITIES

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		The Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue	2	1,025,255	787,025	263	179
Changes in inventories of finished goods		(15,624)	9,986	-	-
Raw materials and consumables used		(951,669)	(754,703)	-	-
Employee benefits expense	3	(4,664)	(2,830)	(411)	(98)
Depreciation and amortisation expenses	3	(23,146)	(13,973)	-	(256)
Finance costs	3	(6,305)	(4,166)	(2,008)	(1,903)
Other expenses		(21,635)	(17,603)	(2,334)	(3,194)
Research & Development expense		-	(2,050)	-	(2,050)
Impairment loss – investments		-	(2,924)	-	(4,024)
Impairment Loss – subsidiary		-	-	-	(2,563)
Impairment Loss – Group company		(1,075)	-	-	-
Gain on deconsolidation of subsidiary	36	939	-	-	-
Profit / (loss) from continuing operations before income tax expenses	3	2,076	(1,238)	(4,490)	(13,909)
Income tax expense	4	(1,674)	(1,805)	-	1,656
Profit from continuing operations		402	(3,043)	(4,490)	(12,253)
(Loss) from discontinued operations	35	-	(6,924)	-	(1,319)
Net Profit / (loss) after income tax		402	(9,967)	(4,490)	(13,572)
Profit attributable to outside equity interest		(3,250)	(4,095)	-	-
Profit attributable to the members of the parent		(2,848)	(14,062)	(4,490)	(13,572)
Earnings per share					
Basic (cents per share)	25	(4.3)	(23.3)		
Diluted (cents per share)	25	(3.8)	(20.4)		

The accompanying notes form part of these financial statements.

ON Q GROUP LIMITED
ABN 57 009 104 330
AND ITS CONTROLLED ENTITIES
BALANCE SHEET
AS AT 30 JUNE 2007

	Note	Consolidated		The Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	6	7,197	6,876	432	29
Trade and other receivables	7	119,313	68,058	5,729	11,633
Inventories	8	5,514	15,385	-	-
Other assets	9	4,312	1,413	12	6
Assets classified as held for sale	10	12,168	-	-	-
TOTAL CURRENT ASSETS		148,504	91,732	6,173	11,668
NON-CURRENT ASSETS					
Trade and other receivables	7	8,708	1,550	-	235
Deferred tax assets	11	1,376	1,289	-	-
Investments accounted for using the equity method	12	5,020	-	-	-
Financial Assets	13	15	5,147	27,518	26,018
Plant and equipment	14	52,066	53,266	-	-
Intangible assets	15	64,783	52,559	-	-
Other assets	9	283	383	-	-
TOTAL NON-CURRENT ASSETS		132,251	114,194	27,518	26,253
TOTAL ASSETS		280,755	205,926	33,691	37,921
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	16	122,327	87,251	1,297	1,663
Interest-bearing loans and borrowings	17	21,359	1,816	9,481	397
Current tax liabilities	18	1,595	893	-	218
Employee benefits	19	714	549	-	-
Other liabilities	20	541	541	-	-
TOTAL CURRENT LIABILITIES		146,536	91,050	10,778	2,278
NON-CURRENT LIABILITIES					
Trade and other payables	16	-	3	-	-
Interest-bearing loans and borrowings	17	61,049	42,429	205	9,992
Deferred tax liabilities	11	4,734	3,850	2,854	2,404
Employee benefits	19	15	121	-	-
Other liabilities	20	451	992	-	-
TOTAL NON-CURRENT LIABILITIES		66,249	47,395	3,059	12,396
TOTAL LIABILITIES		212,785	138,445	13,837	14,674
NET ASSETS		67,970	67,481	19,854	23,247
EQUITY					
Issued capital	21	24,147	24,100	24,147	24,100
Retained earnings / (losses)	22	1,078	3,871	(21,338)	(16,848)
Reserves	23	-	-	17,045	15,995
Share option reserve	23	30	14	-	-
		25,384	27,985	19,854	23,247
Outside equity interest		42,715	39,496	-	-
TOTAL EQUITY		67,970	67,481	19,854	23,247

The accompanying notes form part of these financial statements.

ON Q GROUP LIMITED
ABN 57 009 104 330
AND ITS CONTROLLED ENTITIES

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		The Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		964,658	776,620	-	-
Payments to suppliers and employees		(964,554)	(747,147)	(3,335)	(3,796)
Interest received		485	386	21	179
Borrowing costs paid		(6,305)	(3,901)	(987)	(1,903)
Net cash provided by/(used in) operating activities	24 (a)	(5,716)	25,958	(4,301)	(5,520)
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sale of plant and equipment		2,611	-	-	-
Acquisition of investments		-	(4,932)	-	-
Acquisition of plant and equipment	14	(15,118)	(22,780)	-	-
Development expenditure acquired		(5,274)	(10,120)	-	-
Acquisition of intangibles	15	(13,778)	(745)	-	-
Net cash used in investing activities		(31,559)	(38,577)	-	-
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from the issue of share capital		47	5,519	47	2,880
Capital raising costs		-	(840)	-	(660)
Proceeds from borrowings		38,199	40,974	-	9,361
Repayment of borrowings		(296)	(22,546)	(296)	(1,000)
Payment of finance lease, hire purchase liabilities		(2,040)	(1,994)	(407)	(502)
Receipts from a related party	31(c)	1,686	-	5,800	(3,575)
Payments to director and related entity		-	1,029	-	989
Advances to controlled entities		-	-	(440)	-
Receipts from controlled entities		-	-	-	-
Advances to other entities		-	(24,780)	-	-
Receipts from / (Payments to) other entities		-	8,976	-	(1,947)
Net cash used in financing activities		37,596	6,338	4,704	5,546
Net decrease in cash and cash equivalents		321	(6,281)	403	26
Cash and cash equivalents at beginning of year		6,876	13,157	29	3
Cash and cash equivalents at end of year	24 (b)	7,197	6,876	432	29

The accompanying notes form part of these financial statements.

ON Q GROUP LIMITED AND ITS CONTROLLED ENTITIES
ABN 57 009 104 330

STATEMENT OF CHANGES IN EQUITY
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT
FOR THE YEAR ENDED 30 JUNE 2007

Consolidated

<u>Note</u>	Issued Capital \$'000	Retained earnings \$'000	Share Options Reserve \$'000	Minority Interest \$'000	Total \$'000
Balance at 1 July 2005	18,956	16,003	5	26,187	61,151
Shares issued	5,804	-	-	6,866	12,670
Share options issued to employees	-	-	10	16	26
Profit attributable to minority equity interests	-	-	-	4,095	4,095
Parent entity share of equity raised in the period	-	4,261	-	-	4,261
Total recognised income and expenses	-	(14,062)	-	-	(14,062)
Transaction cost relating to share issue	(660)	-	-	-	(660)
Re-statement due to increase in OEI percentage ownership of subsidiary	-	(2,331)	-	2,331	-
	-	-	-	-	-
Balance at 30 June 2006	24,100	3,871	15	39,495	67,481
Balance at 1 July 2006	24,100	3,871	15	39,495	67,481
Total recognised income and expenses	-	(2,848)	-	-	(2,848)
Profit attributable to minority equity interests	-	-	-	3,250	3,250
Share based payments	-	-	15	25	40
Shares issued	47	-	-	-	47
Transfer from outside equity interest	-	55	-	(55)	-
Balance at 30 June 2007	24,147	1,078	30	42,715	67,970

The Company

	Issued Capital \$'000	Retained earnings \$'000	Asset Revaluation Reserve \$'000	Minority Interest \$'000	Total \$'000
Balance at 1 July 2005	18,956	(3,276)	21,770	-	37,450
Shares issued	5,804	-	-	-	5,804
Asset revaluation increment	-	-	(5,775)	-	(5,775)
Transaction cost relating to share issue	(660)	-	-	-	(660)
Profit for the period	-	(13,572)	-	-	(13,572)
Balance at 30 June 2006	24,100	(16,848)	15,995	-	23,247
Balance at 1 July 2006	24,100	(16,848)	15,995	-	23,247
Share based payments	47	-	-	-	47
Current year revaluation	-	-	1,050	-	1,050
Profit for the period	-	(4,490)	-	-	(4,490)
Balance at 30 June 2007	24,147	(21,338)	17,045	-	19,854

The accompanying notes form part of these financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On Q Group Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2007 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity') and the consolidated entity's interest in associates and jointly controlled entities.

The financial report was authorised for issue by the directors on 2 November 2007.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP. The financial report of the consolidated entity complies with IFRSs and interpretations adopted by the International Accounting Standards Board. The Company's financial report does not comply with IFRS's as the Company has elected to apply the relief provided by parent entities by AASB 132 Financial Instruments: Presentation and disclosure in respect of certain disclosure requirements.

(b) Basis of Presentation

The financial report is presented in Australian dollars, which is the Company's functional currency.

The financial report has been prepared on an accruals basis and is based on historical cost convention except for certain assets and liabilities which are stated at fair value as described in the accounting policies.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by all entities in the consolidated entity.

(c) Principles of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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When a subsidiary makes a new issue of capital and the consolidated entity's percentage ownership changes, the share of retained profits and reserves is attributed to the Company and outside equity interest reflecting the new ownership interest. The adjustment is not reflected in net profit but as a direct adjustment to the specific equity accounts.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

In the Company's financial statements, investments in associates are carried at cost.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates or, if not consumed or sold by the associate, when the consolidated entity's interest in such entities is disposed of.

(d) Revenue Recognition

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

Sale of Goods

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is recognised on sale of telecommunications products at the value invoiced to retail resellers, reflecting the fact that the Company is acting as principal and bearing full credit risk pursuant to contractual arrangements in place.

Rendering of Services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Interest

Interest revenue is recognised on a proportional basis taking into account the effective yield applicable to the financial assets.

Dividends

Revenue from dividends and distribution from controlled entities are recognised by the parent entity when they are declared by the controlled entities.

Revenue from dividends from other investments are recognised when received.

Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

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Rental income

Rental income from terminals is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Software licensing income

Software licensing income is recognised based on the substance of the contractual arrangements entered into. Up front non-refundable fees for the right to utilise software and technology, where the economic entity has no ongoing contractual obligations, are recognised fully in the income statement at the time the contractual commitment is entered into. Software licensing fees where the licensee has the right to use the software and technology over a specified period of time or on a refundable basis is recognised in the income statement on a straight line basis over the agreed term of the Licence.

Access Fees

Fees for the right to access the economic entity's electronic network systems where the economic entity has no ongoing contractual obligations, are recognised fully in the income statement at the time the contractual commitment is entered into.

Hosting Fees

Up front non-refundable fees for the right to system hosting services, where the entity has no ongoing contractual obligations, are recognised fully in the income statement at the time the contractual commitment is entered into. System hosting fees applicable to a specified period of time or which are dependent on the fulfilment of certain obligations is recognised in the income statement on a straight line basis over the agreed term of service provision.

Sale of non-current assets

Gains on sale of non-current assets are included as income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

Gains or losses on disposal are calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(e) Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, fees and charges attached to financing facilities, interest receivable on funds invested and dividend income. Borrowing costs are expensed as incurred and included in net financing costs.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

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(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(g) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is On Q Group Limited.

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 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

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The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivables (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(h) Accounting estimates and judgements

Significant areas of estimating uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are set out below:

Measurement of the recoverable amount of intangible assets

Intangible assets including goodwill, development costs, trademarks, licences and technology, and capitalised expenses are allocated to cash generating units ("CGU") based on underlying business operations. Value in use calculations are undertaken based on projected cash flows covering a period not exceeding 5 years plus an estimate of terminal values. Management's determination of cash flow projections and gross margins are based on past performance and its expectations for the future. The present value of future cash flows have been calculated using a discount rate of 16% - 20% to determine value-in-use, and growth rates of 2% to 10% have been applied.

Assessment of the recoverable amount of receivable

As set out in note 7 the Company has a credit risk concentration in respect of certain receivables. In assessing the recoverable amount of such receivables the directors have regard to the existence of any impairment indicators, as well as processes in place to mitigate credit loss such as insurance and settlement arrangements entered into.

Recognition of Licensing, access and hosting revenue

As set out in note 1(d) the timing of revenue recognition in respect of licensing, access and hosting activities is based on the contractual arrangements and substance of the transactions. This takes into account such features as fee refundability, the Company's contractual obligations and whether the contractual arrangement carries a specific term.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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(j) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (o)).

(k) Inventories

Inventories primarily represent inventory of prepaid telecommunication products and terminal equipment purchased for the purpose of resale.

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of electronic warehousing inventories (prepaid telecommunication products) is based on first-in-first-out principal.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(l) Plant and equipment

Owned assets

Items of plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (o)).

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised, recording at the inception of the lease an asset and liability equal to the present value of the minimum lease payments, and disclosed as plant and equipment under lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Subsequent costs

The consolidated entity recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised leased assets are depreciated on both a straight line and a diminishing value basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives in the current and comparative periods are as follows:

Computer equipment	2½ - 5 years	Straight Line
Furniture, fixtures and fittings	10 years	Straight Line
Capitalised leased assets	4 - 5 years	Straight Line

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually. When changes are made adjustments are reflected prospectively in current and future periods only.

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(m) Intangible assets

Goodwill on consolidation

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised, but is tested annually for impairment (see accounting policy (o)).

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (o)).

Other intangible assets

Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (o)).

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Intangible assets (other than goodwill) are amortised from the date they are available for use. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

The estimated useful lives in the current and comparative periods are as follows:

Capitalised development cost	3 – 7 years
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(n) Investments

Investments in debt and equity securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Other financial instruments held by the consolidated entity are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

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The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognised by the consolidated entity on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognised / derecognised on the day they are transferred to / by the consolidated entity.

Investments in unlisted securities

Investments on other unlisted entities are measured at the lower of cost and recoverable amount.

Investments in associates

Investments in unlisted shares of associates are carried in the Company's financial statements at the lower of cost and recoverable amount.

(o) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy (k) and deferred tax assets (see accounting policy (g)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

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The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 16% - 20% that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Derecognising of financial assets and liabilities

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 consolidated entity 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; or
- the consolidated entity 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.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

(p) Trade and other payables

Trade and other payables are stated at their fair value at inception.

Trade payables are non-interest bearing and are normally settled on 60-day terms.

(q) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

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Share capital

Ordinary share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(r) Employee benefits

Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the National Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

Share-based payment transactions

The Company's share option programme allows consolidated entity employees to acquire shares in the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to the share price not achieving the threshold for vesting.

Profit sharing and bonus plans

The company operates a profit sharing and bonus plan. A liability is recognised for profit sharing and bonus plans, including benefits based on the future value of equity instruments and benefits under plans allowing the consolidated entity to settle in either cash or shares.

(s) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the consolidated entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(t) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The consolidated entity's primary format for segment reporting is based on business segments.

(u) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(v) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(w) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report:

- *AASB 7 Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require additional disclosures with respect to the Group's financial instruments and share capital.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings Per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.

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- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment Assets, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.
- Interpretation 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e., 1 July 2004 and 1 July 2005, respectively). The adoption of Interpretation 10 is not expected to result in any changes in retained earnings and goodwill.
- Interpretation 11 *AASB 2 Share-based Payment -- Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving the services. Interpretation 11 will become mandatory for the Group's 2008 financial report. Interpretation 11 is not expected to have any impact on the financial report. The potential effect of the Interpretation on the Company's financial report has not yet been determined.
- AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation II amends AASB 2 *Share-based Payments* to insert the transitional provisions of AASB 2, previously contained in AASB 1 *First-time Adoption of Australian Equivalents to international Financial Reporting Standards*. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the consolidated financial report. The potential impact on the Company has not yet been determined.
- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 120 *Accounting for Government Grants and Disclosures of Government Assistance*, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 127 *Consolidated and Separate Financial Statement*, AASB 131 *Interest in Joint Ventures*, and AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 *Service Concession Arrangements*.

(x) Prior Year Re-statement of outside equity interests

The re-statement of the outside equity interest was due to an error in the calculation in prior years. When Bill Express was floated in 2005 the outside equity interest was calculated as 100% of the equity raised when in fact the percentage ownership was 42.8%. This error was carried forward to the 30 June 2006 financial report when minority interest percentage ownership was reflected as 91.8% when in fact the minority interest in Bill Express was 62.3%. The error in the minority interest has been corrected in this financial report by restating the opening balance of outside equity interest and retained earnings in the 30 June 2006 comparatives. Refer to Note 37 for the effect of the re-statement of outside equity interests.

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NOTE 2: REVENUE

	Note	Consolidated		The Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Sale of goods		981,080	768,234	-	-
Service fees		25,815	7,177	-	-
Interest	2a	728	1,565	263	179
Licence / hosting / access fees		11,095	9,145	-	-
Other revenue		6,537	904	-	-
Total revenue		1,025,255	787,025	263	179

(a) Interest

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Bank Interest	486	1,386	21	-
Interest received from director loans	242	179	242	179
	728	1,565	263	179

NOTE 3: PROFIT FROM CONTINUING OPERATIONS

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Profit from continuing operations before income tax expense has been determined after:				
(a) Expenses:				
Cost of Sales	967,293	744,717	-	-
Finance costs				
- other persons	6,305	4,166	2,008	1,903
Depreciation of non-current assets				
- furniture, fixtures and fittings	15	62	-	-
- computer equipment	16,303	10,918	-	-
Total depreciation	16,318	10,980	-	-
Amortisation of non current assets:				
- capitalised leased assets	1,185	1,024	-	256
- research and development	4,447	1,658	-	-
- other intangibles assets	1,196	311	-	-
Total amortisation	6,828	2,993	-	256
Total depreciation and amortisation	23,146	13,973	-	256

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	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Bad and doubtful debts:				
- bad debts written off - trade debtors	376	470	-	-
- movement in provisions for doubtful debts – trade debtors	300	485	-	-
Net expense - bad and doubtful debts	676	955	-	-
Research and development expense	-	2,050	-	2,050
Employee benefit expenses:				
- wages and salaries	4,027	1,969	398	98
- employee entitlements expense including movements in provision for employee entitlements	138	565	-	-
- superannuation	178	202	13	-
- share based payments	39	26	-	-
- other costs	282	68	-	-
	4,664	2,830	411	98
Rental expense on operating leases				
- minimum lease payments	1,478	56	-	-
(b) Significant Expenses				
The following significant expense item is relevant in explaining the financial performance:				
Adjustment (gain) to prior year accrual estimate	-	(797)	-	-
Loss on disposal of Non Current Assets – discontinued operations	-	6,924	-	1,319
Impairment loss – group loan	1,075	-	-	-
Impairment loss - subsidiary loans	-	-	-	2,563
Impairment loss – investments	-	50	-	1,150
Loss of deposit on business acquisition	-	2,874	-	2,874
	21(i)			

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NOTE 4: INCOME TAX

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
(a) Recognised in the income statement				
Current tax expense				
Current year	920	5,254	-	1,895
Deferred tax asset not booked on losses		(3,248)	-	(2,136)
Over provision in prior year	-	307	-	-
	<u>920</u>	<u>2,313</u>	<u>-</u>	<u>(241)</u>
Deferred tax expense				
Origination and reversal of temporary differences	810	(4,251)	-	4,372
Temporary differences recognised directly in equity	-	-	-	(2,475)
Income tax expense attributable to discontinued operations	-	133	-	-
Over provision in prior year	(56)	-	-	-
	<u>754</u>	<u>(4,118)</u>	<u>-</u>	<u>1,897</u>
Total income tax expenses in income statement	<u>1,674</u>	<u>(1,805)</u>	<u>-</u>	<u>1,656</u>
(b) Numerical reconciliation between tax expense and pre-tax net profit				
Profit/(loss) before tax	2,076	8,295	(4,490)	15,228
Income tax using the domestic corporation tax rate of 30% (2006: 30%)	623	2,489	(1,347)	4,568
Increase in income tax due to:				
Other deductible expenses	-	-	-	(323)
Deferred Tax Asset re temporary differences not brought to account	-	(1,399)	-	(277)
Tax losses not carried forward as deferred tax asset	1,489	(3,248)	1,392	(2,136)
Income tax attributable to discontinued operations	-	(133)	-	-
Non-deductible expenses	(4)	(187)	(45)	(176)
Decrease in income tax due to:				
Concessional R&D deduction	(396)	366	-	-
Other deductible expenses	(38)	-	-	-
	<u>1,674</u>	<u>(2,112)</u>	<u>-</u>	<u>1,656</u>
Under / (over) provided in prior year	-	307	-	-
Income tax expense	<u>1,674</u>	<u>(1,805)</u>	<u>-</u>	<u>1,656</u>
(c) Deferred Income Tax relating to items credited directly in equity				
Tax savings on equity raising cost	-	77	-	-

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NOTE 5: DIVIDENDS

No dividends have been paid or proposed for ordinary shares during the current year and comparative year.

Dividend franking account

30 per cent franking credits available to shareholders of On Q Group Limited for subsequent financial years

Consolidated		The Company	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000
55	218	55	218

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- a) franking credits that will arise from the payment of the current tax liabilities;
- b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
- d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax consolidated group has also assumed the benefit of \$55,000 (2006: \$55,000) franking credits.

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Bank balances	4,647	4,376	432	29
Cash on Deposits	2,550	2,500	-	-
	<u>7,197</u>	<u>6,876</u>	<u>432</u>	<u>29</u>

Amount held pursuant to certain contractual arrangements classified as cash on deposits.

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NOTE 7: TRADE AND OTHER RECEIVABLES

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
CURRENT				
Trade debtors	82,787	34,013	-	-
Less provision for doubtful debts	(900)	(1,589)	-	-
	<u>81,887</u>	<u>32,424</u>	<u>-</u>	<u>-</u>
Other debtors	34,418	34,487	1,692	7,516
Amounts receivable from:				
-director related	2,939	1,147	1,624	1,147
- wholly owned entities	1,075	-	2,413	11,423
- associate company	69	-	-	-
Less provision for diminution	(1,075)	-	-	(8,453)
	<u>119,313</u>	<u>68,058</u>	<u>5,729</u>	<u>11,633</u>
NON CURRENT				
Other debtors	8,708	-	-	-
Related party receivables				
- director related	-	1,550	-	235
	<u>8,708</u>	<u>1,550</u>	<u>-</u>	<u>235</u>

NOTE 8: INVENTORIES

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Electronic equipment inventory at cost	444	1,595	-	-
Electronic warehousing inventory at cost	5,070	13,790	-	-
	<u>5,514</u>	<u>15,385</u>	<u>-</u>	<u>-</u>

NOTE 9: OTHER ASSETS

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
CURRENT				
GST Receivable	842	-	-	-
Prepayments	3,470	1,413	12	6
	<u>4,312</u>	<u>1,413</u>	<u>12</u>	<u>6</u>
NON CURRENT				
Prepayments	283	383	-	-

NOTE 10: ASSETS CLASSIFIED AS HELD FOR SALE

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Plant and equipment	12,168	-	-	-

Assets classified as held for sale represent certain media division display units. Efforts to sell this plant and equipment have commenced, and a sale is expected by June 2008. In remeasuring the equipment to the lower of its carrying amounts and its fair value less costs to sell, no impairment loss has been recorded.

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NOTE 11: DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Consolidated						
Plant and equipment	-	-	(2,119)	(1,198)	(2,119)	(1,198)
Intangible assets	-	-	(2,675)	(2,670)	(2,675)	(2,670)
Finance lease liabilities	(450)	(272)	-	-	(450)	(272)
Employee benefits	218	174	-	-	218	174
Provisions	292	215	-	-	292	215
Capital raising cost	416	624	-	-	416	624
Tax value of losses carried forward	538	88	-	-	538	88
Other items	362	460	60	18	422	478
Net tax assets / (liabilities)	<u>1,376</u>	<u>1,289</u>	<u>(4,734)</u>	<u>(3,850)</u>	<u>(3,358)</u>	<u>(2,561)</u>
The Company						
Investments	-	-	(7,305)	(6,855)	(7,305)	(6,855)
Impairment Provisions	-	-	4,451	4,451	4,451	4,451
Net tax assets / (liabilities)	<u>-</u>	<u>-</u>	<u>(2,854)</u>	<u>(2,404)</u>	<u>(2,854)</u>	<u>(2,404)</u>

A deferred tax asset has not been recognised in relation to the parent entity and consolidated tax groups carry forward tax losses as realisation of such asset is not yet considered probable. A deferred tax asset not recognised in relation to carry forward tax losses is \$3.293 million.

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NOTE 12: INVESTMENTS IN EQUITY ACCOUNTED INVESTEE

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
NON CURRENT				
Investment in associate company	5,020	-	-	-

Interest In Associate	Balance Date	Ownership interest held by Consolidated entity	
		2007 \$'000	2006 \$'000
ETT Limited	30 June	43.44%	44.1%
(i) Principle activity Supplier of retail technologies and services, specialising in transaction processing solutions and ancillary systems and products			
(ii) Share of associate's losses			
- operating losses before income tax		(163)	-
- operating losses after income tax		(114)	-
(iii) Carrying amount of investment in associate			
- at the beginning of the financial year		5,134	-
- investment during the financial year		-	-
- share of net losses for the financial year		(114)	-
- at the end of the financial year		5,020	-
(iv) Share of associate's assets and liabilities			
Current assets		2,269	-
Non-current assets		41	-
Total assets		2,310	-
Current liabilities		(374)	-
Total liabilities		(374)	-
Net Assets		1,936	-
(v) Retained profits of the consolidated entity attributable to the associate			
Share of associate's net losses		(114)	-
Balance at the end of the financial year		(114)	-

Bill Express Limited held 44.1% of the ordinary shares in ETT Limited as at the end of the last financial year. Bill Express Limited did not have the ability to significantly influence the financial and operating decision making process of ETT Limited due to Bill Express Limited providing a standing proxy until 31 March 2007 in respect of its ETT Limited shareholding to the Chairman of ETT Limited, effectively waiving its rights to vote these shares.

This contractual arrangement between Bill Express Limited and ETT Limited covering voting rights expired on 31 March 2007. Consequently, Bill Express Limited assumed "significant influence" over ETT Limited and accordingly Bill Express Limited has commenced equity accounting for its investment in ETT Limited from 1 April 2007.

In the financial statements of the Company, investment in associate is carried at cost.

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NOTE 13: FINANCIAL ASSETS

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
NON-CURRENT				
Unlisted investments at cost	15	13	-	-
Listed shares at current market value	-	5,134	-	-
Shares in controlled entities at fair value	-	-	27,000	25,500
Shares in controlled entities at cost – Electronic Payment & Distribution segment	-	-	118	118
Shares in controlled entities at cost – Food and Beverage segment	-	-	3,851	3,851
Less provision for write down to recoverable amount	-	-	(3,451)	(3,451)
	<u>15</u>	<u>5,147</u>	<u>27,518</u>	<u>26,018</u>

Listed shares at current market value totalling \$5.134 million in the prior financial year relates to shares held in ETT Limited, a company listed on the Australian Stock Exchange. These shares were issued by ETT Limited to Bill Express Limited in consideration for various services to be provided by Bill Express Limited, including software procurement licences, software hosting services and consulting fees. Revenue recognised during the period totalled \$541,169 (2006: \$3,606,257), and unearned income at year end totals \$992,142 (2006: \$1,533,311).

Bill Express Limited has commenced equity accounting for its investment in ETT Limited from 1 April 2007 (refer to note 12).

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NOTE 14: PLANT AND EQUIPMENT

	Consolidated							The Company	
	Buildings & Freehold Land \$'000	Leasehold improve- ments \$'000	Plant & Machinery \$'000	Computer equipment \$'000	Furniture, fixtures and fittings \$'000	Capitalised leased assets \$'000	Total \$'000	Plant & Machinery \$'000	Total \$'000
Cost									
Balance at 1 July 2005	869	282	8,391	44,773	128	3,842	58,285	2,130	2,130
Transfers (note 27)	(869)	(282)	(8,431)	1,050	189	-	(8,343)	(2,130)	(2,130)
Other acquisitions	-	-	40	22,867	8	-	22,915	-	-
Balance at 30 June 2006	-	-	-	68,690	325	3,842	72,857	-	-
Balance at 1 July 2006	-	-	-	68,690	325	3,842	72,857	-	-
Reclassifications	-	-	-	(7)	(179)	186	-	-	-
Acquisitions	-	-	-	16,304	-	2,738	19,042	-	-
Disposals / write offs	-	-	-	(2,886)	-	-	(2,886)	-	-
Balance at 30 June 2007	-	-	-	82,101	146	6,766	89,013	-	-
Depreciation									
Balance at 1 July 2005	109	-	3,853	7,501	42	149	11,654	190	190
Transfers (note 27)	(124)	-	(4,453)	104	47	-	(4,426)	(446)	(446)
Depreciation for the year	15	-	600	10,918	62	768	12,363	256	256
Balance at 30 June 2006	-	-	-	18,523	151	917	19,591	-	-
Balance at 1 July 2006	-	-	-	18,523	151	917	19,591	-	-
Reclassifications	-	-	-	93	(93)	-	-	-	-
Depreciation for the year	-	-	-	16,303	15	1,185	17,503	-	-
Disposals / write offs	-	-	-	(147)	-	-	(147)	-	-
Balance at 30 June 2007	-	-	-	34,772	73	2,102	36,947	-	-
Carrying amounts									
At 30 June 2006	-	-	-	50,167	174	2,925	53,266	-	-
At 30 June 2007	-	-	-	47,329	73	4,664	52,066	-	-

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NOTE 15: INTANGIBLE ASSETS

	Consolidated					The Company
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Develop- ment costs	Trademarks, licenses and technology at cost	Capitalised expenses	Goodwill	Total	Total
Cost						
Balance at 1 July 2005	16,735	14,453	-	2,600	33,788	-
Acquisitions- through business combinations (note 27)	-	389	5	15,136	15,530	-
Acquisitions- internally developed	4,890	5,230	-	-	10,120	-
Loss on Disposal	-	(701)	-	-	(701)	-
Other acquisitions	-	375	746	-	1,121	-
Balance at 30 June 2006	21,625	19,746	751	17,736	59,858	-
Balance at 1 July 2006	21,625	19,746	751	17,736	59,858	-
Acquisitions- through business combinations (note 27)	-	-	-	2,150	2,150	-
Acquisitions- internally developed	5,275	10,300	-	-	15,575	-
Other acquisitions	-	143	-	-	143	-
Balance at 30 June 2007	26,900	30,189	751	19,866	77,726	-
Accumulated Amortisation						
Balance at 1 July 2005	4,926	-	-	250	5,176	-
Acquisitions- through business combinations (note 27)	-	151	3	-	154	-
Amortisation for the year	1,658	310	1	-	1,969	-
Balance at 30 June 2006	6,584	461	4	250	7,299	-
Balance at 1 July 2006	6,584	461	4	250	7,299	-
Amortisation for the year	4,447	450	747	-	5,644	-
Balance at 30 June 2007	11,031	911	751	250	12,943	-
Carrying amounts						
At 30 June 2006	15,041	19,285	747	17,486	52,559	-
At 30 June 2007	15,869	29,278	-	19,636	64,783	-

For the purpose of impairment testing, goodwill is allocated to the following cash generating units:

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Bill Express Limited	2,350	2,350	-	-
Electronic payment and distribution	14,156	12,156	-	-
Media	3,130	2,980	-	-
	19,636	17,486	-	-

Value in use was determined by discounting future cash flows, and was based on the following key assumptions:

Cash flows were projected based on actual operating results and 5 year business plan plus an estimate of terminal value.

The anticipated annual revenue growth included in cash flow projections was 2 to 10 percent.

The discount rate used to discount estimated cash flows is 20 percent.

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NOTE 16: TRADE AND OTHER PAYABLES

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
CURRENT				
Unsecured liabilities				
Trade creditors	120,260	83,742	304	558
Sundry creditors and accruals	2,067	3,509	993	1,105
	122,327	87,251	1,297	1,663
NON-CURRENT				
Other payables	-	3	-	-

NOTE 17: INTEREST BEARING LIABILITIES

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
CURRENT				
Secured liabilities				
Bank Overdraft	-	57	-	-
Loan from financier (note 24 (d))	-	-	9,065	-
Bank loans	19,557	-	-	-
Finance lease liability	1,386	1,280	-	-
Hire purchase liability	416	479	416	397
	21,359	1,816	9,481	397
NON-CURRENT				
Secured liabilities				
Loan from financier (note 24 (d))	59,287	40,974	-	9,361
Hire purchase liability	77	717	205	631
Finance lease liability	1,685	738	-	-
	61,049	42,429	205	9,992

The bank loans are secured on the following basis:

1. Corporate Guarantee and Indemnity dated 27 July 2006 between Bill Express Limited, Bill Express Tech Pty Ltd, Bopo Cards (Australia) Pty Ltd, Cheque2Cash Pty Ltd, Express CRM Pty Ltd, Express Pay Pty Ltd, Ezipin Group Ltd, Ezipin Australia Pty Ltd, Mobile EFT Pty Ltd, Mobile EFT Plus Pty Ltd, Pod TV Pty Ltd, Xip Media Pty Ltd and Public Media Pty Ltd.

2. First Registered Company Charge (Mortgage Debenture) over all the assets and undertaking of Bill Express Ltd. This is a fixed and floating charge over all present and future assets, undertaking (including goodwill) and unpaid/uncalled capital of the Company excluding inventory and receivables.

3. Deed of Priority between Australia and New Zealand Banking Group Limited (the Bank) and CCH International PLC consenting to the Bank's priority to the amount of all moneys from time to time secured by its first security over the assets of Bill Express Limited.

The loan from financier is secured on the following basis:

1. A fixed charge in relation to all Bill Express Limited present and future interest in property, plant and equipment, intangible assets including goodwill and intellectual property rights, marketable securities, capital and securities and instruments (negotiable or otherwise).

2. A floating charge over specific trade receivables identified in accordance with the agreement with the financier that is not subject to a fixed charge.

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3. Bank Loans are secured by shares held by On Q Group Ltd in the controlled entity Bill Express Ltd, details as follows:

2007

Funder	Terms & Conditions	Number of Shares as Collateral	Balance Outstanding \$'000	Interest Paid \$'000
Chimaera Capital Limited	LVR 30%	101,500,000	5,256	580
Opes Prime Stockbroking Ltd	LVR 45%	27,000,000	2,017	173
Tricom Secutities Lending & ShortInvest	LVR 70%	21,000,000	1,792	163
Total			9,065	916

2006

Funder	Terms & Conditions	Number of Shares as Collateral	Balance Outstanding \$'000	Interest Paid \$'000
Chimaera Capital Limited	LVR 30%	101,500,000	5,444	443
Opes Prime Stockbroking Ltd	LVR 45%	27,000,000	2,080	150
Tricom Secutities Lending & ShortInvest	LVR 70%	21,000,000	1,837	129
Total			9,361	722

Finance Leases

Bill Express has entered into various computer equipment finance leases expiring within 3 to 18 months. The interest rates for the finance leases vary from 5.45% to 9.18%. At the conclusion of the lease period the Company has the ability to acquire the equipment at the residual value.

NOTE 18: TAX LIABILITIES

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
CURRENT				
Income tax	1,595	893	-	218

The current tax liability for the consolidated entity and for the Company represents the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability (asset) initially recognised by the members in the tax-consolidated group.

NOTE 19: EMPLOYEE BENEFITS

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
CURRENT				
Employee benefits	714	549	-	-
NON-CURRENT				
Employee benefits	15	121	-	-
Aggregate employee benefits liability	729	670	-	-
Employees at year end	31	27	7	7

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NOTE 20: OTHER LIABILITIES

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
CURRENT				
Un-earned revenue	541	541	-	-
NON CURRENT				
Un-earned revenue	451	992	-	-

NOTE 21: ISSUED CAPITAL

	Note	Consolidated		The Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
66,554,831 (2006:66,342,335) fully paid ordinary shares	21(a)	24,147	24,100	24,147	24,100
(a) Ordinary shares					
At the beginning of reporting period		24,100	18,956	24,100	18,956
Shares issued during the year					
- funding from private placement		-	2,841	-	2,841
- share based deposit payment	21(i)	-	2,874	-	2,874
- options exercised		47	89	47	89
- Transaction costs relating to share issues		-	(660)	-	(660)
At reporting date		24,147	24,100	24,147	24,100

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(i) On Q Group Limited issued 6.289 million ordinary shares in lieu of cash obligation to pay a deposit on the purchase of a business. As detailed in Note (3) this deposit was subsequently forfeited.

(b) Options Bill Express Ltd

(i) For information relating to share options issued to employees during the financial year, refer to Note 28.

(ii) In July 2004, 75,000,000 options were granted to the holders of ordinary shares to accept ordinary shares at an exercise price of 0.25c. The options are exercisable on or before 30 June 2009.

In August 2005, a further 600,000 options were issued to Newsagents Solutions to accept ordinary shares at an exercise price of 0.25c. The options are exercisable on or before 30 June 2009.

In August 2006, a further 600,000 options were issued to Newsagents Solutions to accept ordinary shares at an exercise price of 0.25c. The options are exercisable on or before 30 June 2009.

(iii) In September 2005, 15,000,000 options were exercised by On Q Group Ltd.

(c) Options On Q Group Ltd

212,496 shares issued were issued when options were exercised on 30th March 2007.

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NOTE 22: RETAINED EARNINGS

	Note	Consolidated		The Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Retained profits at the beginning of the financial year as re-stated	37	3,871	16,003	(16,848)	(3,276)
Net loss attributable to members of the entity		(2,848)	(14,062)	(4,490)	(13,572)
Restate outside equity interest		55	(2,331)	-	-
Group share of equity raised during the period			4,261	-	-
Retained profits at reporting date		1,078	3,871	(21,338)	(16,848)

NOTE 23: RESERVES

	Note	Consolidated		The Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Option Reserve	(i)	30	14	-	-
Asset Revaluation Reserve	(ii)	-	-	17,045	15,995

(i) Option Reserve

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance at the beginning of the financial year	35	9	-	-
Current year provision	39	26	-	-
	74	35	-	-
Outside equity interest	(44)	(20)	-	-
Balance at the reporting date	30	15	-	-

(a) On 27 June 2005 and 14 October 2005, 375,000 and 684,500 share options were issued to key executives respectively.

The options are exercisable at a price of 25 cents on or before 30 June 2010. At reporting date, these options have not been exercised. Refer to Note 29 for further information.

(ii) Asset Revaluation Reserve

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance at the beginning of the financial year	-	-	15,995	21,770
Current year revaluation	-	-	1,050	(5,775)
Balance at the reporting date	-	-	17,045	15,995

(a) The movements in the asset revaluation reserve relate to changes in fair value of On Q Group Limited's investment in the controlled entity, Bill Express Limited, a company traded on the Australian Stock Exchange.

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NOTE 24: CASH FLOW INFORMATION

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a) Reconciliation of the net profit after tax to the net cash flows from operations				
Net profit	402	(9,967)	(4,490)	(13,572)
Non-Cash Items:				
Depreciation of non-current assets	16,318	12,356	-	256
Amortisation of non-current assets	6,828	1,968	-	-
Finance charges on capitalised lease	-	320	-	91
Gain on consolidation	(939)	-	-	-
Bad and doubtful debts expenses	300	455	-	-
Provision for loan diminution-	-	-	-	2,563
Share of associates' net losses	114	-	-	-
Non-cash payment - interest	-	-	1,022	-
Options remuneration	39	-	-	-
Non-cash receipt -interest	(243)	-	(243)	-
Non-cash receipt -licence fees	(541)	-	-	-
Share based payment	-	2,924	-	2,924
Income tax adjustment on exiting tax consolidation group	-	(732)	-	-
Loss on sale of fixed assets	-	2,899	-	244
Write down of investments to recoverable amount	-	1,075	-	1,075
Write down of investments	-	-	-	1,150
Share based sale	-	(5,134)	-	-
Write down of group loan to recoverable amount	1,075	-	-	-
Changes in assets and liabilities				
Decrease/(Increase) in trade receivables	(59,028)	(12,664)	-	-
(Increase)/decrease in inventory	9,871	(6,567)	-	-
Increase / (decrease) in tax related balances	1,499	2,387	-	(1,979)
(Increase) in prepayments/other receivables	(2,759)	(3,180)	(6)	14
Increase in trade and other creditors	33,457	37,836	(584)	1,714
Increase in unearned revenue	-	1,533	-	-
Increase in employee entitlements	59	449	-	-
Increase in assets held for sale	(12,168)	-	-	-
Net cash inflow from operating activities	(5,716)	25,958	(4,301)	(5,520)
(b) Reconciliation of Cash				
Cash balance comprises:				
- Cash at bank	4,647	4,376	432	29
- Deposits	2,550	2,500	-	-
	7,197	6,876	432	29

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(c) Non cash Financing and Investing Activities

During the year, the company undertook the following non cash transactions:

- i. Acquisition of plant and equipment with an aggregate value of \$2,611,195 (2006: \$95,727) which has been lease financed.
- ii. Purchase of intellectual property valued at \$nil (2006:\$125,000) from a third party.
- iii. Acquisition of software licence totalling \$nil (2006: \$200,000) settled by the issue of parent entity shares.
- iv. Investment in controlled entities totalling \$nil (2006: \$7,377,000) settled by the issue of parent entity shares.
- v. Other investments totalling \$nil (2006: \$5,133,787) settled through the issue of shares by the investee company.

(d) Financing facility

Bill Express Limited has a variable interest facility available with a financier to the extent of \$83,050,000 (2006: \$83,050,000). As at 30 June 2007 Bill Express Limited have used \$59,376,990 (2006: \$31,614,503) of the facility.

Bank Loans are secured by shares held by On Q Group Ltd in the controlled entity Bill Express Ltd for \$9.064 million (2006: \$9.361 million).

The consolidated entity and the Company have the following facility with a bank at 30 June 2007:

Bill Express Ltd

Interchangeable Facility \$2,000,000 (2006: \$nil) used \$2,000,000 (2006: \$nil)

Indemnity/Guarantee Facility \$1,100,000 (2006: \$2,600,000) used \$nil (2006: \$nil)

Documentary Credit \$500,000 (2006: \$500,000) used \$nil (2006: \$nil)

Online Facility \$13,200,000 (2006: \$10,200,000) used \$nil (2006: \$nil)

Lease Finance Facility \$3,606,000 (2006: \$106,000) used \$nil (2006: \$nil)

Money Market Line Uncommitted Facility \$6,500,000 (2006: \$nil) used \$6,100,000 (2006: \$nil)

Bopo Cards (Australia) Pty Ltd

Variable Rate Commercial Bill Acceptance Discount Facility \$2,335,000 (2006: \$2,500,000) used \$2,300,000 (2006: \$ nil).

NOTE 25: EARNINGS PER SHARE

		Consolidated	
		2007	2006
		\$'000	\$'000
Note			
(a) Reconciliation of Earnings to Net Profit or Loss			
	Net profit	(2,848)	(14,062)
	Earnings used in the calculation of basic EPS	(2,848)	(14,062)
	Earnings used in the calculation of dilutive EPS	(2,848)	(14,062)
		'000	'000
(b) Weighted average number of ordinary shares outstanding			
	during the year used in calculation of basic EPS	66,555	60,236
	Weighted average number of options outstanding	8,601	8,813
	Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	75,156	69,049
(c) Classification of Securities			

The options have been classified as potential ordinary shares and are included in determination of dilutive EPS.

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NOTE 26: COMMITMENTS & CONTINGENCIES

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
(i) Operating lease (non-cancellable)				
Minimum lease payments				
-Less than one year	2,019	21	-	-
-Between one and five years	3,053	35	-	-
	<u>5,072</u>	<u>56</u>	<u>-</u>	<u>-</u>

The consolidated group has entered into various computer equipment non-cancellable operating leases with lease terms of 12 to 48 months.

Leases generally provide the consolidated group with a right of renewal at which time all terms are renegotiated.

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
(ii) Finance leases				
Minimum lease payments				
- Less than one year	1,526	1,385	-	-
- Between one and five years	1,744	770	-	-
	<u>3,270</u>	<u>2,155</u>	<u>-</u>	<u>-</u>
Less future finance charges	(234)	(136)	-	-
Total Lease Liability	<u>3,036</u>	<u>2,019</u>	<u>-</u>	<u>-</u>
(iii) Hire purchase agreements				
Minimum hire purchase payments				
- Less than one year	454	559	454	464
- Between one and five years	207	764	207	671
	<u>661</u>	<u>1,323</u>	<u>661</u>	<u>1,135</u>
Less future finance charges	(40)	(127)	(40)	(107)
Total Hire Purchase Liability	<u>621</u>	<u>1,196</u>	<u>621</u>	<u>1,028</u>
*- less than \$500				

(b) Employee compensation commitments

Key management personnel

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:				
Within one year	300	-	-	-
Between one and five years	775	-	-	-
	<u>1,075</u>	<u>-</u>	<u>-</u>	<u>-</u>

(c) Contingent liabilities

Bill Express Limited has provided a guarantee of \$2.3million on behalf of its subsidiary Bopo Cards (Australia) Pty Ltd in relation to funds drawn down by Bopo Cards (Australia) Pty Ltd from a third party.

Neither the consolidated entity nor the company have any other known contingent liabilities at the date of this report.

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NOTE 27: ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Acquisition

During the current financial year no entities were acquired by the consolidated group.

During the 2006 financial year the consolidated group acquired the Ezipin Group Pty Ltd (Ezipin), the balance of the shares in Pod TV Pty Ltd and invested in Bopo Cards (Australia) Pty Ltd and Public Media Pty Ltd.

Ezipin operated the management and development of automated ordering, delivery and inventory control for prepaid mobile, landline and internet services via outlets across Australia. The acquisitions included the following transactions:

Name	Date acquired	Consolidated entity's interest	Consideration \$'000	Contribution to consolidated net profit/(loss) \$'000	Contribution to consolidated revenue \$'000
Pod TV Pty Ltd	5 July 2005	100%	\$2,440 in 2005/06 and \$150 in 2006/07	(\$1,162) in 2005/06 and (\$2,425) in 2006/07	\$1,440 in 2005/06 and \$1,528 in 2006/07
Public Media Pty Ltd	5 July 2005	100%	*	(a)	(a)
Bopo Cards (Australia) Pty Ltd	8 July 2005	100%	*	(\$82) in 2005/06 and \$3,832 in 2006/07	\$5 in 2005/06 and \$6,366 in 2006/07
Ezipin Group Limited and Ezipin Australia Pty Ltd	16 September 2005	100%	\$12,674 in 2005/06 and \$2,000 in 2006/07	(b)	(b)

* - less than \$500

(a) No material revenue or profit contribution was made by the company which Bill Express Limited gained control of during the year ended 30 June 2006 and year ended 30 June 2007.

(b) The revenue or profit contribution from Ezipin Group Limited and Ezipin Australia Pty Ltd can not be determined as these entities have been fully integrated into Bill Express Limited's operations from the date of acquisition.

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Effect of Acquisitions

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

	Recognised Values \$'000
Property plant & equipment	945
Inventories	1,291
Trade and other receivables	1,563
Cash and cash equivalents	2,735
Trade and other payables	(5,562)
Interest bearing loans and borrowings	(454)
Net identifiable assets and liabilities	518
Goodwill on acquisition	14,156
	14,674
Consideration paid- satisfied in cash in 2005/06*	7,674
Consideration paid- satisfied in cash in 2006/07	2,000
Consideration paid- via shares issued in 2005/06	5,000
	14,674
Net cash outflow	6,939

* Includes legal fees amounting to \$222,000.

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:

	Recognised Values \$'000
Property plant & equipment	137
Intangibles	240
Trade and other receivables	186
Cash and cash equivalents	73
Interest bearing loans and borrowings	(84)
Trade and other payables	(544)
Net identifiable assets and liabilities	8
Goodwill on acquisition	2,585
	2,593
Consideration paid - satisfied in cash in 2005/06	66
Consideration paid - satisfied in cash in 2006/07	150
Consideration paid - via share issue* in 2005/06	2,377
	2,593
Net cash outflow	143

* Includes legal fees amounting to \$40,000

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 period are identical.

Disposals

No entities within the consolidated group were disposed of during the year ended 30 June 2007.

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NOTE 28: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel:

The following were key management personnel of the group at any time during the reporting period and unless otherwise indicated were key management personal for the entire period.

Parent Entity Directors

Peter J McDougall	Non-Executive Director
Hal Christiansen	Executive Director & Chairman
Ian Christiansen	Non-Executive Director
Julian Little	Non-Executive Director – Strategic Development
Dugal McDougall	Non-Executive Director - resigned 30 November 2006
Stephen Fitzgerald	Non-Executive Director – appointed 30 November 2006
Doone McDougall	Alternate director for Peter J McDougall – resigned 12 December 2006
Lisa Clauss	Alternate director for Dugal McDougall - resigned 30 November 2006

Executives

Peter Couper	Chief Financial Officer
Leath Nicholson	Chief Commercial Officer from 1 February 2007 and Alternative Director for Hal Christiansen from 12 February 2007 for Bill Express Ltd. Company secretary of Bill Express from 3 October 2007.
Marc Lichtenstein	Company Secretary (Resigned 3 October 2007) & Chief Financial Officer of Bill Express Ltd

Directors of subsidiaries

Michael Doery	Non-Executive Director – Bill Express Limited
Greg Daniel	Non-Executive Director – Bill Express Limited
Chris Murphy	Non-Executive Director – Bill Express Limited
Craig Brown	Non-Executive Director – Bill Express Limited
Philip Jones	Non-Executive Director – Bill Express Limited – resigned 23 November 2006

There were no other executives in the consolidated group that met the definition of an executive or key management personnel in accordance with the Corporations Act 2001 or the Australian Accounting Standards.

(b) Remuneration of key management personnel

The key management personnel compensation included in 'employee benefit expenses' is as follows:

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	1,400	1,136	-	-
Post-employment benefits	94	62	-	-
Share-based payments	-	-	-	-
	1,494	1,198	-	-

Refer to the remuneration report set out within the Directors' Report for individual details of key management personnel remuneration.

NOTE 29: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS

(a) Compensation Options:

There have been no share based remuneration options granted to the directors or executives during the current financial year. Share based remuneration options granted to the directors or executives during the 2006 financial year were as follows:

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	Vested Number	Granted Number	Grant Date	Value per option at grant date	Terms and conditions for each grant		
					Exercise Price \$	First Exercise Date	Last Exercise Date
Executives							
2006							
Marc Lichtenstein	-	684,500	14 October 2005	10.82 cents	\$0.25	28 June 2007	30 June 2010

All grants of options vest after 2 years (to the extent that vesting criteria are met) or are forfeited. Options expire 3 years after vesting. The exercise price equals market price at date of grant. The service and performance criteria, together with other details are described in Note 29(b) below.

The options have been valued by adopting the Black Scholes valuation model and are allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair Value Per Option	Exercise Price	Price of Shares on Grant Date	Estimated Volatility	Risk Free Interest Rate	Dividend Yield
27 June 2005	30 June 2010	2.4 cents	25 cents	23 cents	27%	5%	nil
14 October 2005	30 June 2010	10.82 cents	25 cents	28 cents	27%	5%	nil

(b) Details concerning share-based compensation of directors and executives

In accordance with the remuneration policy described above, options granted as remuneration are subject to continuing service with the company. Options granted as remuneration are valued at grant date in accordance with AASB 2 Share-based Payments. No options previously granted as remuneration have lapsed or been exercised during the year.

(c) Shares issued on exercise of compensation options

There have been no shares issued on exercise of compensation options.

(d) Number of options held by Directors

2007	Balance 1 July 2006	Granted as remuneration	Options exercised	Net change other	Balance 30 June 2007
Peter McDougall	7,015,438	-	-	-	7,015,438
Hal Christiansen	-	-	-	-	-
Ian Christiansen	-	-	-	-	-
Julian Little	-	-	-	-	-
Dugal McDougall	7,015,438	-	-	(7,015,438) *	-
Stephen Fitzgerald	-	-	-	-	-
Doone McDougall	7,015,438	-	-	(7,015,438) *	-
Lisa Clauss	7,015,438	-	-	(7,015,438) *	-

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2006	Balance 1 July 2005	Granted as remuneration	Options exercised	Net change other	Balance 30 June 2006
Peter McDougall	7,015,438	-	-	-	7,015,438
Hal Christiansen	-	-	-	-	-
Ian Christiansen	-	-	-	-	-
Julian Little	-	-	-	-	-
Dugal McDougall	7,015,438	-	-	-	7,015,438
Jennifer McDougall	7,015,438	-	-	(7,015,438)*	-
Doone McDougall	7,015,438	-	-	-	7,015,438
Lisa Clauss	7,015,438	-	-	-	7,015,438
Tristan Fischer	5,000	2,000	-	(7,000) *	-

* Decrease is as a result of the respective director resigning as a director of On Q Group Limited during that year.

(e) Number of shares held by Directors:

The movement during the reporting period in the number of ordinary shares in On Q Group Limited held, directly, indirectly or beneficially, by each Director, including their related parties, is as follows:

2007	Balance 1 July 2006	Received as Remuneration	Options Exercised	Net change Other	Balance 30 June 2007
Peter McDougall	7,794,313	-	-	-	7,794,313
Hal Christiansen	14,950,289	-	-	-	14,950,289
Ian Christiansen	14,949,976	-	-	-	14,949,976
Julian Little	6,339,250	-	-	-	6,339,250
Dugal McDougall	7,794,313	-	-	(7,794,313) *	-
Stephen Fitzgerald	-	-	-	1,898,427	1,898,427
Doone McDougall	7,794,313	-	-	(7,794,313) *	-
Lisa Clauss	7,794,313	-	-	(7,794,313) *	-

2006	Balance 1/07/05	Received as Remuneration	Options Exercised	Net change Other	Balance 30/06/06
Peter McDougall	9,845,813	-	-	(2,051,500)	7,794,313
Hal Christiansen	14,953,793	-	-	(3,504)	14,950,289
Ian Christiansen	14,949,976	-	-	-	14,949,976
Julian Little	6,339,250	-	-	-	6,339,250
Dugal McDougall	9,845,813	-	-	(2,051,500)	7,794,313
Jennifer McDougall	9,845,813	-	-	(9,845,813) *	-
Lisa Clauss	9,845,813	-	-	(2,051,500)	7,794,313
Doone McDougall	9,845,813	-	-	(2,051,500)	7,794,313
Tristan Fischer	21,600	-	-	(21,600) *	-

* Decrease is as a result of the respective director resigning as a director of On Q Group Limited during the year.

No shares were granted to Directors during the reporting period as compensation in 2006 or 2007. No shares were held by related parties of Directors other than as reflected above.

ON Q GROUP LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 30: LOANS TO DIRECTORS

Details of aggregates of loans to specified directors;

Directors and specified executives	Bal. At beginning of period (\$)	Interest Charged (\$)	Interest not Charged (\$)	Net Adjustment (\$)	Payments (\$)	Write-off (\$)	Balance at end of period (\$)	Number of Individuals in Group
2007 *	2,696,521	242,686	-			-	2,939,207	1
2006 **	3,726,363	288,884	-	(98,726)	(1,220,000)	-	2,696,521	4

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

****2006**

Peter J McDougall
Dugal McDougall
Jennifer McDougall
Lisa Clauss

Interest has been charged at 8% per annum.

***2007**

Peter J McDougall
Dugal McDougall (Resigned)
Jennifer McDougall (Resigned)
Lisa Clauss (Resigned)

These directors are all related and accordingly, the aggregate of loans by the Company to any of these directors is shown as being applicable to each director.

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 charge over the directors shares held in On Q Group Limited.

Peter McDougall disputes that he is indebted to the company under the loan account. The company has commenced Supreme court proceedings to recover the loan pursuant to the signed loan agreement. Peter McDougall disputes that he is indebted to the company and has counter claimed seeking payment of \$7,109,500. The balance of the directors consider the claim to be spurious and are confident that the loan amount owed by Peter McDougall is due and owing as per the accounts.

NOTE 31: RELATED PARTY DISCLOSURES

(a) On Q Group Ltd and its subsidiaries

The aggregate amounts receivable from / (payable to) controlled entities by the parent entity at balance date:

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
On Q Technologies Pty Ltd	-	-	9,414	5,519
Australian Pure Fruits (SA) Pty Ltd	-	-	455	1,130
Motorlink Pty Ltd	-	-	1,029	529
Cash4Biz	-	-	14	14
Ozzie Juices Pty Ltd	-	-	-	686
Mon Beverages Ltd	-	-	-	7,455
Bill Express Ltd	-	-	(7,639)	(3,655)

(b) Director-related entity transactions

Mr Jones is a partner of TressCox Lawyers. During the year, TressCox provided legal and advisory services on an arms length basis. Total fees paid/payable to TressCox whilst Mr Jones was a director of the Company is as follows:

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Total fees paid / payable	548	1,233	390	442

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The spouse of a director and the brother of a director are employed by Bill Express Limited. Total employment benefits paid/payable are as follows:

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Spouse of a director	147	93	147	93
Brother of a director	85	56	85	56

Both of these employees are paid on normal commercial terms for the positions they fulfil and services they provide. Both of these employees commenced employment with the company during the 2006 financial year.

(c) Equity instruments of directors

Interests at balance date

Interests in the equity instruments of Bill Express Limited held by directors of the reporting entity and their personally related entities are disclosed in Note 29 (e).

On Q Group Ltd and its subsidiaries

On Q Group Limited holds 37.71% of Bill Express Limited shares.

Bill Express is required to pay a royalty fee to On Q Technologies Pty. Limited for the use of the EBMS software. The royalty fees for 2007 financial year were \$1,581,964 (2006: \$1,244,434) and is based on a fixed 0.16% of total Bill Express revenue.

Bill Express recognised net interest revenue totalling \$2,030,122 (2006: \$994,137) for monies advanced to On Q Group Limited during the year and based on an interest rate of 15.0% p.a. (2006: 10.0%).

Amounts owing from On Q Group Limited and On Q Technologies Pty Limited to Bill Express Limited are unsecured and repayable at call.

(d) Other related party transactions

Loans

The aggregate amounts receivable from an equity accounted investment by the parent entity at balance date:

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
ETT Limited	69	109		

Amounts owing are unsecured and repayable at call.

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AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 32: AUDITOR'S REMUNERATION

	Consolidated		The Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Audit services of On Q Group Ltd				
Auditors of the company – Moore Stephens	90,000	-	90,000	-
Other Auditors of the company – Pitcher Partners	-	479,000	-	188,000
Auditors of Bill Express Ltd				
KPMG Australia				
? Audit and review of financial reports	287,000	-	-	-
Other Audit services of On Q Group Ltd				
Auditors of the company – Moore Stephens	5,000	-	5,000	-
Other Auditors of the company				
Taxation services – Pitcher Partners	-	134,000	-	37,000
Other assurance services	-	50,000	-	50,000
Auditors of Bill Express Ltd				
KPMG Australia				
Other assurance services	125,839	-	-	-
Regulatory audit services	10,000	-	-	-
Taxation services	31,296	-	-	-
Other Auditors				
Taxation services	-	-	-	-
	549,135	663,000	95,000	275,000

NOTE 33. SEGMENT INFORMATION

Business segments

The consolidated entity comprises of the following main business segments:

Electronic payment and distribution

Bill Express 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 (point of decision TV) and Xip Media are the developers of narrowcast digital retail television networks in Australia. Pod TV and Xip Media design and install entire TV networks in retail precincts delivering effective and integrated marketing, creative content and media solutions.

Prepaid card

The Bopo Prepaid Visa Card is a prepaid fully functional Visa consumer prepaid card that can be topped up at physical terminal networks.

Food & Beverage (2006)

The foods and beverage segment was involved in the manufacture and marketing of high quality shelf stable vegetable and fruit products, carbonated beverages, premium fruit juices and manufactures foods.

Geographical segments

Geographically, the group operates predominately in Australia.

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Primary Segment Information

Business segments	Electronic payment & distribution 2007	Media 2007 \$'000	Prepaid card 2007 \$'000	Consolidated 2007 \$'000
Revenue				
Sales to customers outside the consolidated entity	1,013,210	4,591	6,362	1,024,163
Inter segmental revenues	465	-	-	465
Other revenue	622	1	4	627
Total revenue	1,014,762	4,592	6,366	1,025,255
Results				
Net profit/(loss) before tax	(1,148)	42	3,182	2,076
Income tax expense	(906)	(14)	(754)	(1,674)
Net profit after tax from continuing operations	(2,054)	28	2,428	402
Assets				
Segment assets	260,201	7,465	8,069	275,735
Investment in equity accounted investee	5,020	-	-	5,020
Total assets	265,221	7,465	8,069	280,755
Liabilities				
Segment liabilities	201,301	6,911	4,573	212,785
Other segment information:				
Acquisition of non-current segment assets	18,814	150	5,367	24,331
Depreciation and amortisation of segment assets	21,256	900	990	23,146
Other non-cash expenses	1,794	-	-	1,794

Business segments	Food & Beverage 2006 \$'000	Electronic payment & distribution 2006 \$'000	Media 2006 \$'000	Consolidated 2006 \$'000
Revenue				
Sales to customers outside the consolidated entity	7,469	782,168	3,838	786,121
Intersegmental revenues	-	465	-	-
Other revenue	828	900	2	904
Total revenue	8,297	783,533	3,840	787,025
Results				
Net profit before tax	(16,254)	7,354	738	(8,162)
Income tax expense	-	(1,586)	(219)	(1,805)
Net profit after tax	(16,524)	5,805	519	(9,967)
Assets				
Segment assets	1,779	198,758	4,910	205,926
Liabilities				
Segment liabilities	11,196	131,776	4,384	138,445
Other segment information:				
Acquisition of non-current segment assets	40	28,755	860	29,655
Depreciation and amortisation of segment assets	-	13,791	182	13,973
Other non-cash expenses	12,447	222	29	9,856

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NOTE 34: FINANCIAL INSTRUMENTS

Exposure to interest rate, credit and currency risks arises in the normal course of the group business.

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Fixed interest rate maturing in:										Total carrying amount as per the Balance Sheet		Weighted average effective interest rate		
	Floating interest rate		1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		2007	2006	2007	2006	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	\$'000	\$'000	%	%	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
(i) Financial assets															
Cash	4,647	4,376	2,550	2,500	-	-	-	-	-	-	7,197	6,876	3.7	3.7	
Trade and other receivables	-	-	-	-	-	-	-	-	125,013	66,911	125,013	66,911	-	-	
Receivables – other related parties	-	-	2,939	1,147	-	1,550	-	-	69	-	3,008	2,697	8.0	8.0	
Total financial assets	4,647	4,376	5,489	3,647	-	1,550	-	-	125,082	69,411	135,218	76,484			
(ii) Financial liabilities															
Bank Overdraft	-	57	-	-	-	-	-	-	-	-	-	57	-	9.7	
Trade creditors	-	-	-	-	-	-	-	-	120,260	83,742	120,260	83,742	-	-	
Other creditors	-	-	-	-	-	-	-	-	2,067	3,512	2,067	3,512	-	-	
Hire Purchase Liability	-	-	416	479	77	717	-	-	-	-	493	1,196	-	8.2	
Finance lease liability	-	-	1,386	1,280	1,685	738	-	-	-	-	3,071	2,018	7.6	8.0	
Bank and other loans	78,844	-	-	-	-	40,974	-	-	-	-	78,844	40,974	12.7	10.9	
Employee benefits	-	-	-	-	-	-	-	-	729	670	729	670	-	-	
Total financial liabilities	71,350	57	1,802	1,759	1,762	42,429	-	-	122,366	87,924	205,464	132,169			

ON Q GROUP LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 34: Financial Instruments (cont)

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

The group's investments in fixed-rate debt securities and its fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's investments in variable-rate debt securities and its variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

(b) Credit risk exposures

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The group does not require collateral in respect of financial assets.

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 of those assets, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

Concentrations of credit risk

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

(c) Net fair values

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the balance sheet and notes to the financial statements.

Recognised financial instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables, trade creditors and dividends receivable: The carrying amount approximates fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Long-term loans and receivable: The fair values of long-term loans receivable are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements and are recognised at fair value in the financial statements. The interest rates used to discount estimated cash flows, where applicable, are based on the government bond rate and are 7% at 30 June 2007. No amounts were required to be discounted in the 2006 year.

Note 35: DISCONTINUED OPERATION

On Q Group has decided to focus on Electronic Payment and Distribution and Media segments to ensure that its core competencies are utilised to best effect. This has resulted in the disposal of the food and beverage segment which has under performed in recent periods. Contained below are the results of the discontinued food and beverage segment.

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue	-	7,469	-	-
Expenses	-	(10,554)	-	(154)
Net Loss before tax	-	(3,085)	-	(154)
Income tax expense	-	85	-	-
Net Loss after tax	-	(3,000)	-	(154)

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	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Loss on disposal of Non Current Assets	-	(3,972)	-	(1,165)
Income tax effect of disposal of Non Current Assets	-	48	-	-
Net Loss after tax	-	(3,924)	-	(1,165)
Aggregate Loss after tax	-	(6,924)	-	(1,319)

A description of the Non Current Assets disposed in 2006 is as follows:

Trade marks	-	701
Property, Plant and Equipment	-	4,728

Net cash flows attributable to discontinued operations in 2006:

Net Cash Flow from Operating Activities	-	(1,926)
Net Cash Flow from Investing Activities	-	-
Net Cash Flow from Financing Activities	-	1,986
Net (decrease)/increase in cash and cash equivalents	-	60

NOTE 36: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2007	2006
Parent Entity:			
On Q Group Limited	Australia		
Subsidiaries of On Q Group Ltd			
Bill Express Ltd	Australia	37.7%	37.7%
Australian Pure Fruits (SA) Pty Ltd	Australia	100%	100%
Ozzie Juices Pty Ltd	Australia	100%	100%
On Q Company Pty Ltd	Australia	100%	100%
Motorlink Systems Pty Ltd	Australia	100%	100%
Cash4Biz Pty Ltd	Australia	100%	100%
On Q Technologies Pty Ltd	Australia	100%	100%
Aussie Pure Fruits Pty Ltd (In Liquidation)	Australia	100%	100%
Mon Beverages Pty Ltd (In Liquidation)	Australia	100%	100%

The results of Bill Express have been consolidated by virtue of the shareholding which On Q holds (37% with the option to increase to 44%) compared to the comparatively small holdings of all other shareholders. 50% of the directors of Bill Express are also directors of On Q Group and as such have the power to veto any resolutions proposed by the balance of the board. Hal Christiansen is also CEO of both companies and as such directs the day to day operations of Bill Express.

As a result of Aussie Pure Fruits Pty Ltd and Mon Beverages Pty Ltd being in liquidation the companies have been deconsolidated during the year. The gain on deconsolidation is \$0.939million.

NOTE 37: PRIOR PERIOD ERROR – RE-STATEMENT OF OUTSIDE EQUITY INTERESTS

Outside Equity Interests as disclosed in the financials statements of On Q Group Limited relates to the percentage ownership in the Share Capital and Reserves of Bill Express Limited held by outside equity holders. When Bill Express was floated in 2005 the Outside Equity Interest was calculated as 100% of the equity raised. On Q Group Limited retained ownership of 150 million shares and this share ownership was not taken account of in calculating Outside Equity Interests in previous years. The effect of the adjustments required to correctly reflect Outside Equity Interests are outlined below (no taxation effect results from these changes):

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Consolidated Group

	Previously stated 2007 \$'000	Adjustment 2007 \$'000	Restated 2007 \$'000	Previously stated 2006 \$'000	Adjustment 2006 \$'000	Restated 2006 \$'000
Balance sheet						
Retained Earnings	(17,698)	18,776	1,078	(14,850)	18,721	3,871
Share Option Reserve	74	(44)	30	35	(21)	14
Outside Equity Interest	61,446	(18,731)	42,715	58,196	(18,700)	39,496

NOTE 38: SUBSEQUENT EVENTS

On 16 July 2007 Bill Express Ltd entered into a convertible note agreement with CCH Holdings Plc. The face value of the note is \$11,800,000 which converts into such number of fully paid ordinary shares as equates to the total amount outstanding divided by \$0.20. This note is convertible at any time by the note holder. The note must be redeemed by the Company at the end of the term which is 120 days from issue.

There have been no other events subsequent to balance date which have a material effect on the consolidated entity's financial statements at 30 June 2007 other than disclosed above.

NOTE 39: ECONOMIC DEPENDENCY

The Company and consolidated entity is dependent upon certain entities that provide significant outsourced operational and financing services to the group pursuant to contractual arrangements. These services include transaction processing and settlement, call centre activities, product development, terminal installation, maintenance and financing. The entities include Technology Business Systems Pty Ltd and Technology Business International Pty Ltd.

NOTE 40: COMPANY DETAILS

The registered office of the Company is:

On Q Group Limited
677 The Boulevard
Eaglemont Victoria 3084

**ON Q GROUP LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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DIRECTORS DECLARATION

- 1 In the opinion of the directors of On Q Group Limited ('the Company'):
 - (a) the financial statements and notes including the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 23 to 70, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date except for the matters noted in the audit report; and
 - (ii) complying with Australian Accounting Standards and the 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.
- 2 There are reasonable grounds to believe that the Company and the controlled entities identified in Note 36 will be able to meet any obligations or liabilities to which they are or may become subject to.
- 3 The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2007 pursuant to Section 295A of the Corporations Act 2001, including:
 - (a) The financial records of the company before the financial year have been properly maintained with accordance with section 286 of the Corporations Act 2001;
 - (b) The financial statements and notes for the year comply with the accounting statements; and
 - (c) The financial statements and notes for the financial year give a true and fair view.

Dated at 2nd November 2007

Melbourne.

Signed in accordance with a resolution of the directors:



Julian Little

Director

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS ON Q GROUP LIMITED AND CONTROLLED ENTITIES**

Report on the Financial Report

We have audited the accompanying financial report of On Q Group Limited (the company) and On Q Group Limited and its controlled entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" on pages 16 to 21 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: "Presentation of Financial Statements", that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Partners

Stephen L. Adrian
Steven A. Allan
Marco S. Carlei
Jean-Claude Cesario
Ian K. Kearney
Daren I. J. McDonald
Kevin W. Neville

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An independent member of Moore Stephens International Limited – members in principal cities throughout the world.

A separate partnership in Victoria

Stephen J. O'Flynn
Tim R. Olynyk
S. David Pitt
Ivan Shapiro
Grant M. Sincock
Jonathan C. Thomas
Daren Yeoh

Auditor's Opinion

In our opinion:

- (a) the financial report of On Q Group Limited and On Q Group Limited and its controlled entities (the consolidated entity) is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International financial Reporting Standards as disclosed in Note 1.
- (c) the remuneration disclosures that are contained on pages 16 to 21 of the directors' report comply with Accounting Standard AASB 124.

Significant Uncertainty Regarding Outcome of a Dispute with a Director

Without qualification to the opinion expressed above, we draw your attention to Note 30 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, 2 November 2007

ON Q GROUP LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

VARIANCES TO LODGED APPENDIX 4E

The audited Financial Report contains the following variances from the Appendix 4E lodged on August 31 2007:

- Mon Beverages Pty Ltd and Aussie Pure Fruits Pty Ltd have been de-consolidated which gives rise to gain of \$0.939m.
- The loss of discontinued operations of \$1.375m has been removed.
- Retained Earnings, Share Option reserve and Outside Equity Interests have been re-stated as per note 37.

The following additional information is required by the Australian Stock Exchange Limited in respect of listed public companies only. This information is current at 18th September 2007.

1. Shareholding

(a) **Distribution of Shareholders**
Category (size of holding)

	Number of Ordinary	Number of Shares
1 - 1,000	1,221	47,961
1,001 - 5,000	171	444,434
5,001 - 10,000	77	559,730
10,001 - 100,000	199	6,253,718
100,001 - and over	58	59,249,288
	1,726	66,555,131

(b) The number of shareholdings held in less than marketable parcels is 123,182

(c) The names of substantial shareholders listed in the holding company's register as at 18th September 2007 are

	Number of Ordinary Shares
Kinarra Pty Limited	7,744,978
Linfox Share Investment Pty Ltd	6,724,701
Mr Harold Edward Christiansen	6,277,093

(d) **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary Shares

Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands

ON Q GROUP LIMITED
ABN 57 009 104 330
AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(e) 20 Largest Shareholders - Ordinary Shares	Number of Ordinary Fully Paid Shares Held	Percentage held of issued ordinary capital
Kinarra Pty Limited	7,744,978	11.6%
Linfox Share Investment Pty Ltd	6,724,701	10.1%
Mr Harold Edward Christiansen	6,277,093	9.5%
Mr Ian Douglas Christiansen	4,763,760	7.2%
Sydney Pty Limited	3,495,355	5.3%
Mr Sandro Didonato	3,433,464	5.2%
Walmerst Pty Ltd	3,271,111	4.9%
Mr Kenward Elmslie	2,604,464	3.9%
Ms Jean Christine Christiansen	2,337,249	3.5%
Stephen Fitzgerald	1,898,427	2.9%
Winwoodmack Productions P/L	1,280,000	1.9%
Mr Julian Little	1,066,667	1.6%
Mr Ian Winwood Mckenzie	989,116	1.5%
Garrido Investment Pty Ltd	977,867	1.5%
Jindara Energy Conversion Pty Ltd	822,038	1.2%
Ingot Capital Investment Pty Ltd	812,508	1.2%
Walmer Holdings Pty Ltd	800,000	1.2%
3d Sales Force Pty Ltd	690,000	1.0%
Nelcor Pty Ltd	620,646	0.9%
Shiraz Nominees Pty Ltd (Jindara Family)	583,808	0.8%

(f) 20 Largest Option holders	Number of options	Percentage held of issued options
Kinarra Pty Limited	6,181,438	78.5%
Great Fingall Mining Co NI	150,000	1.9%
Mr Craig James Levin	127,570	1.6%
Jindra Energy Conversions Pty Ltd	124,130	1.6%
Nelcor Pty Ltd	119,130	1.5%
Mr Mark Whitehouse McDougall	92,162	1.3%
Mr Peter Barry Winkley	75,000	1.0%
Mr Anthony Joseph Bragg	61,000	0.8%
Mr Philip Bernard Kennedy	50,000	0.6%
Mr Peter Barry Winkley & Mr Peter Leonard Charles	50,000	0.6%
Mr James Richard Cornell	39,838	0.5%
Mr Darren Mervyn Shanks	31,547	0.4%
Ms Lynn Bastian	30,000	0.4%
Mrs Deanne Herreen & Mr Geoffrey Thomas Herreen	30,000	0.4%
Simon Bridger<Superfund A/C>	20,244	0.3%
Mrs Jill Elizabeth Baynes	20,000	0.3%
Mr Gregory Matthew Curie	20,000	0.3%
Mrs Kerri McKenzie	20,000	0.3%
Olivine Nominees Pty Ltd	20,000	0.3%
Mr & Mrs Skitt	18,653	0.3%
Blooms Of Melbourne Pty Ltd	18,000	0.3%

(g) On market buy back

There is no current on-market buy back.