

Photon Group Limited**ABN 97 091 524 515****Appendix 4E****Preliminary final report****Year ended 30 June 2006****Results for Announcement to the Market***Rule 4.3A*

The current reporting period is 1 July 2005 to 30 June 2006.

The previous corresponding reporting period is 1 July 2005 to 30 June 2006.

Key information

Revenues from ordinary activities	up	58.38%	to 169,508
Profit after tax attributable to members	up	45.42%	to 12,656
Net profit for the period attributable to members	up	45.42%	to 12,656

Dividends	Amount per security	Franked amount per security
Interim dividend – paid 3 April 2006	8.0 cents	8.0 cents
Final dividend – payable 11 October 2006	12.0 cents	12.0 cents

Total amount per share	20.0 cents	20.0 cents
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The record date for determining entitlements to the final dividend is 8 September 2006.

At the date of this report, there are no dividend reinvestment plans in operation.

The remainder of the information requiring disclosure to comply with listing rule 4.3A is contained in the attached audited 2006 Annual Report and the additional information set out below.

Additional Information

NTA backing	2006	2005
Net tangible asset backing per ordinary share	(1.28)	(0.69)

The June 2006 and June 2005 results have been prepared under Australian equivalents to International Financial reporting Standards (AIFRS).

Explanation of results

Please refer to the attached 2006 Annual Report and Market Presentation for commentary and further information with respect to the results.

**Photon Group Limited
and its controlled entities
ABN 97 091 524 515**

**Annual report
30 June 2006**

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Corporate Governance

This statement outlines the corporate governance policies and practices of Photon Group Limited (Photon), in the context of the best practice recommendations that have been set by the ASX Corporate Governance Council (ASX Guidelines). Since the listing of the Company on 30 April 2004, the Board has continually considered and reviewed the corporate governance practices and policies of the Company.

The table below sets down each of the recommendations made in the ASX Guidelines and indicates where the relevant disclosure can be found in this report. Where Photon has not followed any of the recommendations, the recommendation and the reasons for not following it have been identified

A copy of the Council's report can be obtained from the ASX website www.asx.com.au

Recommendation		Section
Recommendation 1.1	Functions of the Board and Management	1.1 and 1.3
Recommendation 2.1	Independent Directors	1.2
Recommendation 2.2	Independent Chairman	1.2
Recommendation 2.3	Role of the Chairman and CEO	1.2
Recommendation 2.4	Establishment of Nomination Committee	2.3
Recommendation 2.5	Reporting on Principle 2	1.2, 1.4.6, and the Director's Report
Recommendation 3.1	Directors' and Key Executives' Code of Conduct	1.1
Recommendation 3.2	Company Security Trading Policy	1.4.9
Recommendation 3.3	Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1	CEO and CFO sign-offs on financial statements	1.4.11
Recommendation 4.2	Establishment of Audit Committee	2.1
Recommendation 4.3	Structure of Audit Committee	2.1.2
Recommendation 4.4	Audit Committee Charter	2.1.1
Recommendation 4.5	Reporting on Principle 4	2.1
Recommendation 5.1	Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2	Reporting on Principle 5	1.4.4
Recommendation 6.1	Communications Strategy	1.4.8
Recommendation 6.2	Attendance of Auditor at General Meetings	1.4.8
Recommendation 7.1	Policies on Risk Oversight and Management	2.1.4
Recommendation 7.2	Statement of CEO and CFO in relation to systems	2.1.4 and 1.4.11
Recommendation 7.3	Reporting on Principle 7	2.1.4
Recommendation 8.1	Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1	Remuneration Policies	2.2.4 and the Remuneration Report
Recommendation 9.2	Establishment of Remuneration Committee	2.2
Recommendation 9.2	Executive and Non-Executive Director Remuneration	2.2.4.1, 2.2.4.2 and the Remuneration Report
Recommendation 9.4	Equity-Based Executive Remuneration	2.2.4.1
Recommendation 9.5	Reporting on Principle 9	2.2.1 and 2.2.4
Recommendation 10.1	Company Code of Conduct	3

Corporate Governance (continued)

1. Board of Directors

1.1 Role of the Board

The Board has the responsibility of ensuring Photon is properly managed so as to provide and enhance shareholders' interests in a manner that is consistent with Photon's responsibility to meet its obligations to all parties with which it interacts. It is the role of senior management to manage the consolidated entity in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the consolidated entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of managements' goals and ensuring the integrity of internal control. The Board must also ensure that the consolidated entity complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the consolidated entity.

To assist the Board in carrying out its functions, it has developed a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives in the performance of their roles. (A copy of the Code of Conduct is available on the Photon website.)

1.2 Composition of the Board

The names of the directors of the company in office at the date of this report are set out in the Directors' report on page 10 of this report. The constitution of the Company provides that the number of directors must not be less than 3 and not more than 12. There are currently 6 directors each of whose skills, experience and expertise is described in their Director Profiles on page 10. There are 3 executive directors and 3 non-executive directors. Two of the non-executive directors can be characterised as independent for the purposes of the definition that appears in ASX Guidelines.

Although the Chairman is not an independent director and a majority of directors are not independent, the Company believes that the Board, as currently composed, has the required skills and independence of thought and judgement to ensure that decisions are made by the Board in the best interests of the Company and that Photon continues to perform strongly.

The Chairman is an executive director and not an independent director. The roles of Chairman and CEO are not exercised by the same individual and the division of responsibilities between the Chairman and the CEO have been agreed by the Board. The Company and the Directors believe that the Chairman can and does bring independent thought and judgement in his capacity as Chairman.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Consolidated entity. It is required to do all things that may be necessary to be done in order to carry out the objectives of the consolidated entity.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

1. Leadership of the Organisation: overseeing the Consolidated entity and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
2. Strategy Formulation: working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. Overseeing Planning Activities: overseeing the development of the consolidated entity's strategic plan and approving that plan as well as the annual and long term budgets.
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
6. Company Finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.

1.3 Responsibilities of the Board (continued)

7. Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Consolidated entity; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the consolidated entity.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Consolidated entity have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

(A copy of the Company's continuous disclosure policy is available of the Company's website).

1.4.5 Education and Induction

New Directors undergo an induction process in which they are given a full briefing on the consolidated entity. This includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- formal policies on Director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements
- a copy of the Board Charter
- Guidelines on how the Board processes function
- details of past, recent and likely future developments relating to the Board including anticipated regulatory changes
- background information on and contact information for key people in the organisation including an outline of their roles and capabilities
- an analysis of the consolidated entity
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget, and
- a copy of the Constitution of the Company.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the consolidated entity and will be reported in writing to each Board meeting. Unless there is an exemption under the *Corporations Act* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

1. communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders and the general meetings of the consolidated entity;
2. giving shareholders ready access to balanced and understandable information about the consolidated entity and corporate proposals;
3. making it easy for shareholders to participate in general meetings of the consolidated entity; and
4. requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The consolidated entity also makes available a telephone number and email address for shareholders to make enquiries of the consolidated entity.

1.4.9 Trading in Consolidated Entity Shares

- The consolidated entity has a Securities Trading Policy under which Directors, members of senior management and other employees likely to be in possession of unpublished price sensitive information and their associates may not trade in the consolidated entity's securities during the following "blackout periods" commencing:
- 8 weeks prior to the release by the consolidated entity of its half-yearly results to the ASX and concluding 24 hours after such release; and
- 8 weeks prior to the release by the consolidated entity of its annual results to the ASX and concluding 24 hours after such release.

In addition, consistent with the law, designated officers are prohibited from trading in the consolidated entity's securities while in the possession of unpublished price sensitive information concerning the consolidated entity. Unpublished price sensitive information is information regarding the consolidated entity, of which the market is not aware, that a reasonable person would expect to have a material effect on the price or value of the consolidated entity's securities.

Notice of an intention to trade must be given prior to trading in the Company's securities as well as a confirmation that the person is not in possession of any unpublished price sensitive information. The completion of any such trade by a Director or member of senior management must also be notified to the Company Secretary who in turn advises the ASX.

1.4.10 Performance Review/Evaluation

The ASX guidelines require the disclosure of the process for performance evaluation of the Board, individual directors and key executives. The Chairman is responsible, in the first instance, for monitoring the contribution of individual Directors and providing guidance on any areas of improvement. The performance evaluation of key executives is undertaken by the Board, in conjunction with the CEO on both a formal regular and informal ongoing basis.

1.4.11 Attestation by CEO and CFO

In accordance with the Board's policy, the CEO and CFO have declared, in writing to the board that the company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that, in their opinion, the financial statements and notes give a true and fair view and comply with accounting standards.

2. Board Committees

2.1 Audit Committee

2.1.1 Role

The Audit Committee monitors and reviews the effectiveness of the Consolidated entity's controls in the area's of operational and balance sheet risk, legal and regulatory compliance and financial reporting. The committee discharges these responsibilities by:

- overseeing the adequacy of the controls established by senior management to identify and manage area's of potential risk and to safeguard the assets of Photon;
- overseeing Photon's relationship with the external auditor and the external audit function generally; and
- evaluating the processes in place to ensure that accounting records are properly maintained in accordance with statutory requirements and financial information provided to investors and the Board is accurate and reliable.

The committee has also adopted a policy on the provision of non-audit services and the rotation of external audit personnel.

Members of management and the external auditors attend meetings of the committee by invitation. The committee may also have access to financial and legal advisors, in accordance with the Board's general policy.

(A copy of the audit committee's charter is available on the Company's website).

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2.1.2 Composition

The Audit Committee consists of three members. The current members of the Audit Committee are Mr Brian Bickmore, Ms Susan McIntosh and Mr Paul Gregory. Brian Bickmore is Chairman of this committee and is an independent Director. All members can read and understand financial statements and are otherwise financially literate. The details of the member's qualifications can be found in their Director Profiles on page 10.

Details of the number of meetings of the Audit Committee and the names of attendees can be found in the Directors' Report on page 10. The Audit committee meets with the external auditor at least twice a year.

2.1.3 Responsibilities

The Audit Committee reviews the audited annual and half-yearly financial statements and other reports which accompany published financial statements before submission to the Board and recommends their approval.

The Audit Committee also recommends to the Board the appointment of the external auditor and the internal auditor and each year, reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee is also responsible for establishing policies on risk oversight and management.

2.1.4 Risk Management

Oversight of the risk management system.

The Board oversees the establishment, and annual review of the effectiveness of the company's risk management system. The Company has established and implemented the Risk Management System for assessing, monitoring and managing operational, financial reporting and compliance risks for the consolidated entity. The CEO and CFO have declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

The Audit Committee reports to the board annually on the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed.

(Further details of the company's risk management policy and internal compliance and control system are available on the company's website).

2.2 Remuneration Committee

The Remuneration Committee was formed by resolution of the Board on 25 March 2004.

2.2.1 Role

The Remuneration Committee reviews and makes recommendations to the board on remuneration packages and policies including but not limited to succession planning, recruitment and the appointment of the Chief Executive Officer, senior executives and directors themselves and overseeing succession planning, selection and appointment practices and remuneration packages for management and employees of Photon Group Limited.

The objectives of the committee include to:

- review, assess and make recommendations to the Board on the desirable competencies of the Board;
- assess the performance of the members of the Board;
- oversee the selection and appointment practices for non-executive directors and senior management of Photon;
- develop succession plans for the Board and oversee the development of succession planning in relation to senior management and;
- assist the Board in determining appropriate remuneration policies.

2.2.2 Composition

Mr Brian Bickmore, Mr Tim Hughes and Mr Paul Gregory are the current members of the Remuneration Committee the majority of whom are Independent Directors. Mr Brian Bickmore, the Chairman of the Remuneration Committee is an Independent Director.

Details of the number of meetings of the Remuneration Committee and the names of the attendees can be found in the Directors' Report on page 12.

2.2.3 Responsibilities

The responsibilities of the Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, making recommendations to the Board on any proposed changes to the Board and undertaking an annual review of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals for the coming year and reviewing progress in achieving these goals.

2.2.4 Remuneration Policy

The Senior Executive Remuneration Policy was approved by resolution of the Board in September 2004 and the Non-Executive Director Remuneration Policy was approved by resolution of the Board on 25 March 2004.

2.2.4.1 Senior Executive Remuneration Policy

The consolidated entity is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in the option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

Details of the amount of remuneration, including both monetary and non-monetary components, for each of the five highest paid (Non-Director) Executives during the year (discounting accumulated entitlements) is detailed in the Remuneration Report to the Directors Report.

2.2.4.2 Non-Executive Director Remuneration Policy

The Constitution provides that the non-executive Directors are each entitled to be paid such remuneration from the Company as the Directors decide for their services as a Director, but the total amount provided to all non-executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company in a general meeting. This amount is currently fixed at \$450,000. The remuneration of non-executive Directors must not include a commission on, or a percentage of, profits or operating revenue. Directors may also be reimbursed for travelling and other expenses incurred in attending to the Company's affairs. Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra services or makes exertions for the benefit of the Company.

Non-Executive Directors are entitled to statutory superannuation.

Details of the amount of remuneration, including both monetary and non-monetary components, for each of the directors paid during the year (discounting accumulated entitlements) is detailed in the Remuneration report to the Directors Report.

2.3 Other Committees

The Board has not established a formal nomination committee at this time. The Board has considered this question since the Company's last annual report, but determined that due to the relative size of Photon it is not necessary or appropriate for a nomination committee to be established at this time. The Board will continue to revisit this question on an ongoing basis as the Company continues to grow. In addition, a number of the responsibilities identified by the ASX Guidelines as being within the ambit of a nomination committee have been delegated to the Remuneration Committee.

3. Company Code Of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. The Company Code of Conduct was adopted by resolution of the Board on 27 May 2004. This Code includes the following.

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages its employees to strive to do the same.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company Monitors and Ensures Compliance with its Code

The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

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Directors' report
For the year ended 30 June 2006

The directors present their report together with the financial report of Photon Group Limited ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2006 and the auditor's report thereon.

Directors

The directors of the company at any time during or since the end of the financial year are:

Tim Hughes- Executive chairman

Tim is the Executive Chairman of Macquarie Media Group Limited and is also Chairman of Carinya Investment Management and a Director of the Sporting Chance Cancer Foundation. Tim Hughes has had a 20 year business career in television production and distribution, television broadcasting, radio, investment management and marketing services. Tim has a Bachelor of Business from UTS. He was appointed a director of the Company on 2 June 2000 and is a member of the Remuneration Committee.

Matthew Bailey- Chief executive officer / Director

Matthew joined Photon as CEO in 2004. In addition to this role, he is responsible for the Photon subsidiary, The Bailey Group and the Sales & Presence Marketing Pillar. Matthew has 16 years experience as CEO of The Bailey Group with extensive experience in retail selling, sales force strategy and brand development. Matthew has a Bachelor of Business from Swinburne University. He was appointed as a Director of the Company on 25 March 2004.

Simon Reynolds- Executive director

Simon is Executive Chairman and Creative Director of Love Communications and is one of Australia's best known advertising experts. Simon has over 20 years of experience in the marketing services sector. He has won many major global awards for creativity and has won 'Agency of the Year' twice. Simon has lectured on marketing to over 50,000 business people and was previously a director of John Singleton Advertising Group Limited (now part of STW Communications Group Limited). He was appointed as a Director of the Company on 9 February 2000.

Susan McIntosh- Non-executive director

Susan is a Chartered Accountant with over 20 years experience in Media (television production and distribution and radio) and asset management. Susan is currently Managing Director of RG Capital Holdings (Australia) Pty Limited. She was appointed as a Director of the company on 2 June 2000 and is a member of the Audit Committee.

Brian Bickmore- Independent non-executive director

Brian joined Austereo Limited in 1980 as a founding executive and resigned in 2004 from Austereo Limited after 25 years, having served as Austereo's longest serving director. Brian served initially as Austereo's Finance Director and from 1997 was Group General Manager. In 2003 Brian was appointed as Managing Director Corporate Development and International Media. Brian was instrumental in the merger of the Triple M and Austereo businesses, a core element of Austereo's success. He also directed Austereo's international expansion. Brian is Chairman of the Board of Directors of Artist & Entertainment Group Limited and serves on the Board of Directors of Network Outdoor Australia Limited, and SelecTV Broadcasting Limited. He was appointed as a Director of the Company on 25 March 2004 and is Chairman of the Audit Committee and Chairman of the Remuneration Committee.

Paul Gregory – Non-executive director

Paul is currently providing a number of Australian and International retail groups with management and strategic advice. Previously Paul has led a diversity of medium sized private retail companies, including Australian Geographic Pty Ltd and Red Earth Australia Pty Ltd, and has overseen the expansion of these companies at both a domestic and international level. He was appointed as a director on 25 March 2004 and is a member of the Audit Committee.

Anthony Rowlinson – Chief operating officer/ Director

Tony joined Photon as COO in 2005. Tony has had extensive FMCG and packaged goods experience having held senior positions in major blue chip companies namely SCA, Nabisco, Coca-Cola and Bristol-Myers Squibb. Prior to joining Photon, Tony was Vice President of the Consumer Division of SCA Hygiene Australasia. Born and educated in Johannesburg, South Africa, Tony has had the privilege in getting global leadership experience having worked in the UK and other areas of Europe, South Africa, Australia and New Zealand. He was appointed as Director of the company on 22 February 2006.

Tim Tighe resigned as a director on 1 July 2005.

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Directors' report (continued)**For the year ended 30 June 2006****Company secretary**

Geoff Nesbitt was appointed to the position of Company Secretary on 31 July 2000. He is also Chief Financial Officer (CFO) of the Company and the consolidated group responsible for group wide financial management and reporting requirements, and plays an integral role in the Group's expansion in the Company's Acquisition strategy. Prior to joining Photon, Geoff was Financial Controller for advertising agency Saatchi & Saatchi Australia. He has a Bachelor of Business degree in accounting and is a member of CPA Australia and an affiliate member of the Institute of Chartered Secretaries of Australia.

Principal activities

The principal activities of the consolidated entity during the course of the financial year were aligned to five strategic pillars, each focused around a specific communications platform, being:

- Business Intelligence
- Digital, Interactive & Internet
- Sales and Presence Marketing
- Mass Communications
- Specialised Communication Services

Review and result of operations

The consolidated net profit after income tax attributable to the members of the parent entity amounted to \$12,655,889 (2005: \$8,703,012). Annual growth was attributable from a combination of acquisitions and organic growth in existing companies.

On 14 October 2005 the company issued 1,333,333 ordinary shares to the vendors of Counterpoint Marketing & Sales Pty Limited as part payment of the purchase price. These shares rank equally with existing ordinary shares on issue.

On 25 October 2005 the Company issued 589,830 ordinary shares to the vendors of The Leading Edge Market Research Consultants Pty Limited (The Leading Edge) which was approved by shareholders at the Company's Annual General Meeting. These shares were issued in place of deferred cash consideration resulting from the amendment to the acquisition agreement which allows for up to 50% of the deferred cash payments to be paid by the issue of Photon shares in 2005 and 2006, at the election of the vendors. These shares rank equally with existing ordinary shares with the exception that the vendors have voluntarily elected to have these issued shares placed in escrow for a period of 12 months from the date of issue.

On 21 February 2006 the company issued 200,000 ordinary shares to the vendors of SEE Life Differently Holdings Pty Limited as part payment of the purchase price. These shares rank equally with existing ordinary shares on issue.

On 4 May 2006 the company issued 122,127 ordinary shares to the vendors of Demonstration Plus Pty Limited as part payment of the purchase price. These shares rank equally with existing ordinary shares on issue.

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

Type	Cents per share	Total amount \$'000	Date of payment	Franked/ unfranked
<i>Declared and paid during the year</i>				
Final 2005 – Ordinary shares	5.0c	2,857	4 October 2005	Fully franked
Interim 2006 – Ordinary shares	8.0c	4,739	3 April 2006	Fully franked
<i>Declared after year end</i>				
Final 2006 – Ordinary shares	12.0c	7,184	11 October 2006	Fully franked
Note				
<i>Dealt with in the financial report as:</i>				
- Dividends	22	7,596		
- Noted as a subsequent event	22	7,184		

All the franked dividends paid or declared by the Company since the end of the previous financial year were franked at 30%.

All dividends declared and paid pre June 2006 were paid out of previous AGAAP profits and any dividends declared and paid after June 2006 are drawn on AIFRS profits.

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Directors' report (continued)**For the year ended 30 June 2006****State of affairs**

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- acquired 100% of the issued capital of Kaleidoscope Marketing Communications Pty Limited
- acquired 50.1% of the issued capital of Media Zoo Pty Limited
- acquired 100% of the issued capital Republicorp Pty Limited
- acquired 100% of the issued capital of Counterpoint Marketing & Sales Pty Limited
- acquired 100% of the issued capital of SEE Life Differently Holdings Pty Limited and its controlled entity
- acquired 100% of the issued capital of CREO Limited
- acquired 100% of the issued capital of Demonstration Plus Pty Limited, and
- acquired 100% of the issued capital of Demonstration Plus (NZ) Pty Limited.

Refer note 26, Controlled Entities, for further details.

Directors' meetings

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

Director	Board meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Tim Hughes	9	10	-	-	2	2
Matthew Bailey	10	10	-	-	-	-
Simon Reynolds	9	10	-	-	-	-
Susan McIntosh	8	10	2	3	-	-
Brian Bickmore	10	10	3	3	2	2
Anthony Rowlinson	4	4	-	-	-	-
Paul Gregory	8	10	3	3	1	2

A – Number of meetings attended**B** – Number of meetings held during the time the director held office during the year**Directors' interests**

The relevant interest of each director in the shares or options issued by the consolidated entity, 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:

Director	Ordinary shares	Options over ordinary shares
Tim Hughes	2,443,444	1,300,000
Matthew Bailey	8,498,850	300,000
Simon Reynolds	4,840,000	Nil
Susan McIntosh (i)	164,444	80,000
Brian Bickmore	150,000	Nil
Anthony Rowlinson	-	1,000,000
Paul Gregory	150,000	Nil
Total	16,246,738	2,680,000

(i) Represents options over ordinary shares granted prior to November 2002 and consequently do not require measurement and recognition in the profit and loss.

Photon Group Limited

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Directors' report (continued)

For the year ended 30 June 2006

Share Options*Options granted to directors and officers of the Company*

During, or since the end of, the financial year, the Company granted options for no consideration over unissued ordinary shares in Photon Group Limited to the following directors and to the following of the five most highly remunerated officers of the Company as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Director / Officer			
Tim Hughes	1,000,000	\$2.99	29 July 2010

Unissued shares under option

At the date of this report unissued shares of the Company under option are:

Expiry date	Number of options	Exercise price
31 January 2007	220,000	\$1.25
28 November 2008	125,000	\$1.50
1 April 2009	1,000,000	\$1.80
31 May 2010	1,000,000	\$2.87
29 July 2010	733,750	\$2.99
29 July 2010	<u>1,000,000</u>	\$2.99
	4,078,750	

All options with the exercise price of \$1.25, 100,000 options with the exercise price of \$1.50 and 300,000 options with the exercise price of \$1.80 will expire on the above listed dates. Remaining options expire on the earlier of their expiry date or termination of the employee's contract. In addition, for options issued after 25 March 2004, the ability to exercise the options is conditional upon employment service conditions. Further details are included in the Remuneration report.

These options do not entitle the holder to participate in any share issue of the Company.

Events subsequent to balance date***Acquisition of wholly-owned entities***

Subsequent to balance date, the Company acquired 100% of the issued share capital of:

- Jigsaw Strategic Research Pty Limited (Jigsaw), a research based consultancy company. The purchase price comprised of an upfront cash payment to be funded using existing debt facilities. In addition, deferred consideration tied to the earnings of Jigsaw through to 30 June 2009 is payable each year by September 2009.
- Ausrep Pty Limited (Ausrep), a sales and merchandising company. The purchase price comprised of an upfront cash payment and the issue of 400,000 Photon shares. In addition, deferred consideration tied to the earnings of Ausrep through to 30 June 2009 is payable each year by September 2009.

Acquisition of partly-owned entities

Subsequent to balance date, the Company acquired,

- 90% of the issued share capital of iMega Pty Limited (iMega), an online performance-based marketing company. The purchase price was \$7,570,000 cash and the issue of 101,415 ordinary Photon shares at \$4.24 per share. In addition, deferred consideration tied to the earnings of iMega through to 31 March 2009 is payable each year by 31 July 2009.
- An agreement was entered into to acquire 51% of the issued capital of Belgiovane William Mackay (BWM) an advertising agency. The initial purchase price comprises the issue of 1,262,857 ordinary Photon shares and an upfront cash payment of \$7,282,800 with the vendors retaining the option to put the remaining 49% of the company to Photon up to 31 July 2012 on certain terms.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2006.

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Directors' report (continued)**For the year ended 30 June 2006****Events subsequent to balance date (continued)*****Dividends***

For dividends declared after 30 June 2006, see note 22.

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

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

Indemnification and insurance of officers***Indemnification***

The Company has agreed to indemnify the following current directors of the Company, Mr T J Hughes, Mr S Reynolds, Mr M W Bailey, Ms S T McIntosh, Mr B L Bickmore, Mr P Gregory and Mr A G Rowlinson and the secretary Mr G M Nesbitt against liabilities to another person (other than the Company or a related body corporate) that may arise from their positions as directors or secretaries of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the company will meet the full amount of any liabilities, including costs and expenses.

The company has also agreed to indemnify the current directors and secretaries of its controlled entities for all liabilities to another person (other than the company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate that the company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

During the financial year the company has paid insurance premiums in respect of Directors' and Officers' liabilities, for current Directors and Officers covering the following:

- costs and expense incurred by the relevant officers in defending proceedings, whether civil or criminal; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The directors have not included details of the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

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Directors' report (continued)**For the year ended 30 June 2006****Non-audit services**

During the year KPMG, the company'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 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 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.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is on page 84 of this annual report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for 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 in Note 5 to the financial statements.

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
<i>Services other than statutory audit:</i>				
<i>Other services:</i>				
<i>Migration services work:</i>				
Auditors of the Company – KPMG Australia	64,389	56,678	-	-
<i>Workers compensation insurance reported wages review</i>				
Auditors of the Company – KPMG Australia	3,000	3,050	-	-
<i>Transaction and due diligence services:</i>				
Auditors of the Company – KPMG Australia	201,640	25,200	201,640	25,200
Total services other than statutory audit	269,029	84,928	201,640	25,200

Rounding off

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, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Photon Group Limited
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Directors' report (continued)
For the year ended 30 June 2006

Remuneration report

1. Principles of remuneration

Compensation is referred to as remuneration throughout this report. Sections of the Remuneration report have been audited unless otherwise stated.

(a) Remuneration policies

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including the directors of the Company and other executives. Key management personnel include the five most highly remunerated s300A directors and executives for the Company and the consolidated entity.

The remuneration levels for key management personnel and secretaries of the Company, and relevant management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and senior executives.

The compensation structures explained below are designed 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 key management personnel
- The key management personnel's ability to control the relevant Companies performance
- The consolidated entities performance including:
 - The consolidated entities earnings
 - The growth in share price and delivering constant returns on shareholder wealth
 - The amount of incentives within each key management person's compensation.

Remuneration packages contain a mix of fixed and variable remuneration and equity-based remuneration.

(b) Fixed remuneration

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

(c) Performance-linked compensation

Performance linked compensation includes both short term and long term incentives and is designed to reward some key management personnel for meeting or exceeding their financial and personal objectives. The short term incentives (STI) is an "at risk" bonus provided in the form of cash and shares whilst the long term incentives (LTI) is provided as options over ordinary shares in the Company under the rules of the Executive Share Option Plan (see note 19).

Short term incentive

The short term incentive is linked to financial achievements over individual Company budgets and is payable 50% in cash and 50% in shares. The share component of the STI is issued over two years from the end of the financial year to which the STI relates.

Long term incentive

Options issued on or after 25 March 2004 are issued under the Executive Share Option Plan (ESOP). The plan allows for the Board to determine who is entitled to participate in the ESOP and may grant options accordingly. Photon's remuneration committee may determine whether or not the grant or exercise of options is conditional on the achievement of performance hurdle, and if so, the nature of such performance hurdles. The exercise of an option will entitle the option holder to subscribe for one share. All options will be granted at an exercise price being the average of the daily volume weighted average sale price (VWAP) of Photon Group Limited shares on each of the 30 business days prior to the issue date. As at 30 June 2006, three million options have been issued under the ESOP. One million of those options, being those granted to Tim Hughes sit marginally outside the usual ESOP conditions as the board has issued them under the basis that no options may be exercised in the period which is two years from the issue date, and that after that date all options may be exercised without percentage restrictions.

The Company also operates an Employee Share Option Scheme for employees, details of which are outlined in note 19.

Directors' report (continued)
For the year ended 30 June 2006

Remuneration report (continued)

(d) Service contracts

It is the consolidated entity's policy that service contracts for key management personnel are in force for a fixed period with an extension period negotiable after completion of the initial term. The agreements are capable of termination, acknowledging appropriate notice periods, and the consolidated entity retains the right to terminate the contract immediately through contractual breach on the part of the executive or by making payment in lieu of notice. The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service agreements outline the components of remuneration paid to the key management personnel and prescribes that the remuneration levels are modified based on inflation or performance criteria individually agreed. Remuneration levels are reviewed annually by the remuneration committee.

(e) Non-executive directors

The Company Constitution provides that the non-executive Directors are each entitled to be paid such remuneration from the company as the Directors decide for their services as Director, but the total amount provided to all non-executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. This amount has been fixed by the Company at \$450,000 for the financial year ended 30 June 2006. The remuneration of non-executive Directors must not include a commission on, or percentage of, profits or operating revenue. Directors may also be reimbursed for travelling and other expenses incurred in attending to the Company's affairs. Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra services or makes special exertions for the benefit of the Company.

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Directors' report (continued)

For the year ended 30 June 2006

Remuneration report (continued)

(f) Directors' and executive officers' remuneration

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the five named executives of the Company, relevant group executives who receive the highest remuneration and other key management personnel are:

		Primary		Post-employment		Other long term	Equity compensation	Other compensation		Not audited	
		Salary and fees	Cash bonus	Non-cash benefits	Super contributions		Value of options (ii)	Termination benefits	TOTAL	Audited Yes/No	Proportion of remuneration performance related
		\$	\$	\$	\$	\$	\$	\$	\$		%
Directors											
Non executive											
Susan McIntosh	2006	45,000	-	-	4,050	-	-	-	49,050	Y	-
	2005	40,000	-	-	3,600	-	-	-	43,600	Y	-
Brian Bickmore	2006	16,666	-	-	37,834	-	-	-	54,500	Y	-
	2005	40,000	-	-	3,600	-	-	-	43,600	Y	-
Paul Gregory	2006	45,000	-	-	4,050	-	-	-	49,050	Y	-
	2005	40,000	-	-	-	-	-	-	40,000	Y	-
Tim Tighe	2006	-	-	-	-	-	-	-	-	Y	-
	2005	40,000	-	-	3,600	-	-	-	43,600	Y	-
Executive											
Tim Hughes	2006	150,000	-	-	12,139	-	213,181	-	375,320	Y	-
	2005	150,000	-	-	11,585	-	38,122	-	199,707	Y	-
Matthew Bailey	2006	457,892	-	-	40,560	58,019	23,108	-	579,579	Y	-
	2005	339,460	-	78,708	38,702	6,389	23,108	-	486,367	Y	-
Anthony Rowlinson (i)	2006	300,414	-	32,510	40,451	682	97,280	-	471,337	Y	-
	2005	61,608	-	5,919	6,868	43	7,996	-	82,434	Y	-
Simon Reynolds	2006	385,028	-	5,753	12,139	9,753	-	-	412,673	Y	-
	2005	382,400	-	-	24,000	4,872	-	-	411,272	Y	-
Total, all directors	2006	1,400,000	-	38,263	151,223	68,454	333,569	-	1,991,509	Y	-
	2005	1,093,468	-	84,627	91,955	11,304	69,226	-	1,350,580	Y	-

(i) Anthony Rowlinson was appointed as COO of the company on 26 April 2005 and subsequently appointed as a director of the company on 22 February 2006.

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Directors' report (continued)

For the year ended 30 June 2006

Remuneration report (continued)

(f) Directors' and executive officers' remuneration (continued)

		Primary			Post-employment	Other long term	Equity compensation	Other compensation			Not audited	Not audited
		Salary and fees	Cash bonus	Non-cash benefits	Super contributions		Value of options (ii)	Termination benefits	TOTAL	Audited Yes/No	Proportion of remuneration performance related %	Value of options proportion of remuneration %
		\$	\$	\$	\$	\$	\$	\$	\$			
Executive Officers												
Company												
Geoff Nesbitt, Company Secretary / CFO, Photon Group Limited	2006	161,706	-	10,000	12,139	4,677	12,308	-	200,830	Y	-	6.13%
	2005	148,520	-	20,478	11,002	1,920	9,204	-	191,124	Y	-	4.82%
Consolidated												
Derek Leddie, Director The Leading Edge Marketing Research Consultants Pty Limited	2006	363,488	48,000	1,980	40,560	92,961	-	-	546,989	Y	8.78%	-
	2005	225,313	-	39,300	38,702	8,894	-	-	312,209	Y	-	-
David Burden, CEO Legion Interactive Pty Limited	2006	256,078	-	-	27,696	4,620	-	-	288,394	Y	-	-
	2005	73,032	-	-	79,605	3,198	-	-	155,835	Y	-	-
(i) Adam Kilgour, CEO CPR Communications and Public Relations Pty Limited	2006	204,379	-	-	18,679	9,216	380	-	232,654	Y	-	0.16%
	2005	182,949	-	-	15,695	6,764	-	-	205,408	Y	-	-
Stewart Bailey, CEO The Bailey Group Pty Limited	2006	243,994	30,000	-	20,642	4,423	1,552	-	300,611	Y	9.99%	0.516%
	2005	145,575	-	40,545	13,940	3,538	-	-	203,598	Y	-	-
Total, executives	2006	1,229,645	78,000	11,980	119,716	115,897	14,240	-	1,569,478	Y		
	2005	775,389	-	100,323	158,944	24,314	9,204	-	1,068,174	Y		

(i) 2005 - for the period 15 March 2005 to 30 June 2005.

(ii) The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period. In valuing options, market conditions have been taken into account.

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Directors' report (continued)
For the year ended 30 June 2006

Remuneration report (continued)

(g) Directors' and senior executives' remuneration

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

Grant date	Expiry date	Fair value per option	Exercise price (i)	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
28 Nov 2003	27 Nov 2008	\$0.23	\$1.50	Not listed	7.5 – 9.0%	5.92%	4.5%
1 April 2004	1 April 2009	\$0.295	\$1.80	Not listed	7.5 – 9.0%	5.27%	4.5%
31 May 2005	31 May 2010	\$0.49	\$2.87	\$3.10	20 – 25.8%	5.4%	2.45%
29 July 2005	29 July 2010	\$0.50	\$2.99	\$3.00	20 – 30%	5.13%	3.9%

(i) As set out in the Company's ESOP, the exercise price of options granted after 25 March 2004 is calculated with reference to the volume weighted average price (VWAP) of Photon Group Limited ordinary shares for 30 business days prior to the issue date.

Each option entitles the holder to purchase one ordinary share in the Company. All options expire on the earlier of their expiry date or termination of the individual's employment.

The options issued on 28 November 2003 are exercisable any time from 31 January 2004 to 27 November 2008.

The options issued on 1 April 2004, under the Executive Share Option Plan, "ESOP", are exercisable by the option holder as follows:

From 1 April 2006 – 33 ⅓%

From 1 April 2007 – 66 ⅔%

From 1 April 2008 the option holder is entitled to exercise all options until expiry date 1 April 2009.

The options issued on 31 May 2005, under the Executive Share Option Plan, "ESOP", are exercisable by the option holder as follows:

From 31 May 2007 – 33 ⅓%

From 31 May 2009 – 66 ⅔%

From 31 May 2009 the option holder is entitled to exercise all options until expiry date 31 May 2010.

The options issued on 29 July 2005 under the Executive Share Option Plan, "ESOP", are exercisable by the option holder as follows:

From 29 July 2007 – 100% until expiry date 29 July 2010.

(h) Options granted as remuneration to directors' and executive officers

On 29 July 2005 the Company issued 1,000,000 options for no consideration to Mr Tim Hughes which was approved by shareholders at the Company's Annual General Meeting. The exercise price of the options will be \$2.99, being the Volume Weighted Average Share Price (VWAP) for the 30 days prior to 29 July 2005, the date on which the Company's Remuneration Committee approved the issue of options (subject to shareholder approval). This issue was approved by shareholders at the Company's Annual General Meeting.

Photon Group Limited
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Directors' report (continued)
For the year ended 30 June 2006

Remuneration report (continued)

(i) Analysis of share-based payments granted as remuneration - unaudited

Details of the vesting profile of the options granted as remuneration to each director of the Company and each of the five named Company executives and relevant group of executives is detailed below.

	Options Granted		% vested in year	% forfeited in year	Financial year in which grant vests
	Number	Date			
Directors					
Tim Hughes	250,000	28 November 2003	100%	-	Vested
	300,000	1 April 2004	-	-	30 June 2009
	1,000,000	29 July 2005	-	-	30 June 2007
Matthew Bailey	300,000	1 April 2004	-	-	30 June 2009
Anthony Rowlinson	1,000,000	31 May 2005	-	-	30 June 2010
Company executives					
Geoff Nesbitt	25,000	28 November 2003	-	-	30 June 2009
	100,000	1 April 2004	-	-	30 June 2009
	40,000	29 July 2005	-	-	29 July 2010
Adam Kigour	5,000	29 July 2005	-	-	29 July 2010
Stewart Bailey	20,000	29 July 2005	-	-	29 July 2010

(j) Analysis of share-based payments granted as remuneration - unaudited

The movement during the reporting period by value, of options over ordinary shares in Photon Group Limited held by each Company director and each of the three named Company executives and relevant group executives is detailed below.

		Value of Options		
	Granted in year	Exercised in year	Forfeited in year	Total option value in
	\$(A)	\$(B)	\$	year
				\$
Directors				
Tim Hughes	506,000	1,162,500	-	1,668,500

- (A) The value of options granted in the year is the fair value of the options calculated at grant date using a Black-Scholes model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (ie on a straight line basis to the from the issue date, being 29 July 2005, to the expiry date, being 29 July 2010).
- (B) The value of options exercised during the year is calculated as the market price of shares of the company on the Australian Stock Exchange as at the close of trading on the date the options were exercised after deducting the price paid to exercise the option. Of those exercised during the year, 240,000 options over ordinary shares granted prior to November 2002 and consequently do not require measurement and recognition in the profit and loss.

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Directors' report (continued)
For the year ended 30 June 2006

Remuneration report (continued)

(k) Options and rights over equity instruments granted as remuneration - unaudited

The movement during the reporting period in the number of options over ordinary shares in Photon Group Limited held, directly, indirectly or beneficially, by key management personnel, including their personally-related entities is as follows:

	Held at 1 July 2005	Granted as remuneration	Exercised	Held at 30 June 2006	Vested during the year	Vested and exercisable at 30 June 2006
Directors						
Tim Hughes	550,000	1,000,000	(250,000)	1,300,000	"	"
Matthew Bailey	300,000	-	-	300,000	"	"
Anthony Rowlinson	1,000,000	-	-	1,000,000	"	"
Executives						
Geoff Nesbitt	125,000	40,000	-	165,000	"	"
Adam Kilgour	-	5,000	-	5,000	"	"
Stewart Bailey	-	20,000	-	20,000	"	"

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 84, and forms part of the director's report for the year ended 30 June 2006.

This report is made in accordance with a resolution of the directors.

Dated at Sydney this 23rd day of August 2006.



Tim Hughes
Director

Photon Group Limited and its Controlled Entities
Income statements

For the year ended 30 June 2006

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		The Company	
		2006	2005	2006	2005
Revenue from the rendering of services		169,508	107,029	-	162
Directly attributable costs of sales		(44,730)	(26,635)	-	-
Net revenue from rendering of services		124,778	80,394	-	162
Other income	3	843	561	24,009	378
Total Revenue	2	125,621	80,955	24,009	540
Employee expenses		(77,793)	(49,726)	(1,674)	(1,066)
Occupancy costs		(4,978)	(3,662)	-	(59)
Depreciation and amortisation expense		(4,889)	(2,179)	(482)	(19)
Insurance expense		(496)	(489)	-	(9)
Consultancy fees		(3,099)	(1,915)	(741)	(569)
Equipment hire charges		(817)	(582)	(8)	-
Travel expenses		(1,838)	(1,188)	(184)	(104)
Communication expenses		(2,742)	(1,529)	(29)	(22)
Other operating expenses		(5,478)	(3,802)	(922)	(513)
Finance costs	4	(4,906)	(3,219)	(4,421)	(3,037)
Share of profit of associates	13	216	171	-	-
Profit/ (loss) before tax		18,801	12,835	15,548	(4,858)
Income tax (expense)/ benefit	6	(5,934)	(4,217)	2,030	1,587
Profit/ (loss) for the period		12,867	8,618	17,578	(3,271)
Attributable to:					
Equity holders of the parent		12,656	8,703	17,578	(3,271)
Minority interest		211	(85)	-	-
Profit/ (loss) for the period		12,867	8,618	17,578	(3,271)
Basic earnings per share from continuing operations (AUD cents)	7	21.67	17.44		
Diluted earnings per share from continuing operations (AUD cents)	7	21.14	17.13		

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 27 to 82.

Photon Group Limited and its Controlled Entities
Statements of changes in equity
For the year ended 30 June 2006

In thousands of AUD

		Consolidated		The Company	
	Note	2006	2005	2006	2005
Opening balance of equity attributable to Members		84,649	57,827	72,519	57,670
Contributed equity					
Tax effect of transaction costs	22	237	307	237	307
Share issue costs net of tax		(27)	(415)	(27)	(415)
Shares issued as part of business acquisitions		7,023	4,629	7,023	4,629
Shares issued		975	15,837	975	15,837
Foreign currency translation reserve					
Net Exchange difference on translation of foreign controlled entities	22	(40)	(1)	-	-
Retained profits					
Dividends paid	22	(7,596)	(2,453)	(7,596)	(2,453)
Option reserve					
Share option expense	22	462	215	462	215
Net adjustments recognised directly in equity		85,683	75,946	73,593	75,790
Profit/(loss) for the period		12,656	8,703	17,578	(3,271)
Closing balance of equity attributable to Members		98,339	84,649	91,171	72,519

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 27 to 82.

Photon Group Limited and its Controlled Entities

Balance sheets

As at 30 June 2006

In thousands of AUD

Assets

	<i>Note</i>	Consolidated		The Company	
		2006	2005	2006	2005
Cash and cash equivalents	8	11,734	9,788	2,291	2,046
Trade and other receivables	9	37,742	24,841	1,124	131
Other assets	10	6,485	4,586	234	71
Total current assets		55,961	39,215	3,649	2,248

Receivables	9	42	19	9,298	5,607
Other financial assets	11	95	95	182,019	127,400
Investments accounted for using the equity method	11	470	421	667	667
Deferred tax assets	14	3,760	2,360	648	503
Plant and equipment	15	11,445	6,145	3,050	43
Other assets	10	708	964	264	291
Intangible assets	16	177,642	121,786	-	-
Total non-current assets		194,162	131,790	195,946	134,511
Total assets	2	250,123	171,005	199,595	136,759

Liabilities

Trade and other payables	17	47,897	32,977	22,620	25,787
Interest-bearing loans and borrowings	18	1,743	824	296	-
Employee benefits	19	4,642	3,049	64	16
Income tax payable	12	3,528	2,995	3,400	2,803
Provisions	21	595	114	343	-
Total current liabilities		58,405	39,959	26,723	28,606

Trade and other payables	17	20,010	9,676	18,994	7,128
Interest-bearing loans and borrowings	18	62,853	30,165	60,763	28,500
Deferred tax liabilities	14	3,237	1,478	-	-
Employee benefits	19	693	636	12	6
Provisions	21	3,025	985	1,932	-
Total non-current liabilities		89,818	42,940	81,701	35,634

Total liabilities	2	148,223	82,899	108,424	64,240
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Net assets		101,900	88,106	91,171	72,519
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Equity

Issued capital	22	90,755	82,547	90,755	82,547
Reserves	22	682	260	713	251
Retained earnings	22	6,902	1,842	(297)	(10,279)
Total equity attributable to equity holders of the parent		98,339	84,649	91,171	72,519

Minority interest	22	3,561	3,457	-	-
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Total equity	22	101,900	88,106	91,171	72,519
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The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 27 to 82.

Statements of cash flows

For the year ended 30 June 2006

In thousands of AUD

Cash flows from operating activities

Cash receipts from customers

Cash paid to suppliers and employees

Cash generated from operations

Interest received

Income taxes (paid)/ refunded

Borrowing costs paid

Dividends received

Net cash from operating activities

Cash flows from investing activities

Proceeds from sale of non current assets

Payments for investments

Acquisition of controlled entities, net of cash acquired

Acquisition of property, plant and equipment

Development expenditure

Loans from related parties

Net cash from investing activities

Cash flows from financing activities

Proceeds from the issue of share capital

Transaction costs for the issue of share capital

Proceeds from borrowings

Repayment of borrowings

Dividends paid to outside equity interest in controlled entities

Finance lease payments

Dividends paid to equity shareholders

Proceeds from lease incentive payment received

Net cash from financing activities

Net increase in cash and cash equivalents

Cash and cash equivalents at 1 July

Cash and cash equivalents at 30 June

Note	Consolidated		The Company	
	2006	2005	2006	2005
	171,833	113,718	53	1,568
	(150,890)	(93,678)	(2,728)	(290)
	20,943	20,040	(2,675)	1,278
	535	244	213	105
	(5,766)	(5,127)	323	-
	(3,522)	(2,295)	(3,275)	(2,203)
	-	235	23,188	273
29	12,190	13,097	17,774	(547)
	162	86	3	-
	(13,010)	(958)	(10,182)	(550)
27	(18,149)	(29,561)	(21,863)	(33,193)
15	(3,710)	(2,031)	(836)	(44)
16	(519)	-	-	-
	-	-	-	8,258
	(35,226)	(32,464)	(32,878)	(25,529)
	975	15,838	975	15,838
22	(27)	(631)	(27)	(631)
	31,359	32,000	31,042	32,000
	(1,000)	(17,927)	(11,305)	(17,500)
	(759)	(2,685)	-	-
	(823)	(982)	(140)	-
	(7,596)	(2,452)	(7,596)	(2,452)
	2,400	-	2,400	-
	24,529	23,161	15,349	27,255
	1,493	3,794	245	1,179
	9,788	5,994	2,046	867
8	11,281	9,788	2,291	2,046

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 27 to 82.

Photon Group Limited and its controlled entities
Notes to the consolidated financial statements

Significant accounting policies

Photon Group Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2006 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 23rd August 2006.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs"), Urgent Issues Group Interpretations ("UGs") 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 and the Company also comply with IFRSs and the interpretation adopted by the International Accounting Standards Board.

This is the consolidated entity's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS, and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in note 32.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The consolidated balance sheet presents an excess of current liabilities over current assets amounting to \$2,444,000. Current liabilities include a provision for earn out payments of \$17,394,000 (30 June 2005: \$10,432,000) that is based on a number of factors including the future earnings of the related businesses. An equivalent amount is included in goodwill. Settlement of this liability will only arise when the related future earnings are realised. Consequently, the consolidated balance sheet includes estimated liabilities for future earnings before these earnings are reflected in retained earnings. In certain cases, the liabilities may be settled via share issues.

The entity has elected to early adopt the following revised accounting standards:

- AASB 119 Employee Benefits (December 2004)
- AASB 2004-3 Amendments to Australian Accounting Standards (December 2004) amending AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 101 Presentation of Financial Statements and AASB 124 Related Party Disclosures
- AASB 2005-1 Amendments to Australian Accounting Standards (May 2005) amending AASB 139 Financial Instruments: Recognition and Measurement
- AASB 2005-3 Amendments to Australian Accounting Standards (June 2005) amending AASB 119 Employee Benefits (either July or December 2004)
- AASB 2005-4 Amendments to Australian Accounting Standards (June 2005) amending AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts
- AASB 2005-5 Amendments to Australian Accounting Standards (June 2005) amending AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), and AASB 139 Financial Instruments: Recognition and Measurement
- AASB 2005-6 Amendments to Australian Accounting Standards (June 2005) amending AASB 3 Business Combinations
- AASB 2006-1 Amendments to Australian Accounting Standards (January 2006) amending AASB 121 The Effects of Changes in Foreign Exchange Rates (July 2004)
- AASB 2005-9 Amendments to Australian Accounting Standards (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006.
- UIG 4 Determining whether an Arrangement contains a Lease
- UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
- UIG 8 Scope of AASB 2

Photon Group Limited and its controlled entities
Notes to the consolidated financial statements

Significant accounting policies (continued)

(b) Basis of preparation (continued)

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 7 Financial instruments: Disclosure (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosures 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.

The quantification of the impact of new standards and amendments issued but not yet adopted is not known or reasonably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the Company and the consolidated entity to date. The impact of these standards will be assessed prior to their operative date.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, 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. These accounting policies have been consistently applied by each entity in the consolidated entity.

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.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS.

The accounting policies have been applied consistently by all controlled entities.

Notes to the consolidated financial statements
Significant accounting policies (continued)

(c) Basis of consolidation

(i) 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.

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

(ii) 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 includes 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, with resulting revaluation gains and losses recognised in equity. The fair value of investments in listed shares of associates, is their current market value at the balance sheet date.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the "Investment in associates" and "Share of associates net profit" accounts.

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 and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. They are released into the income statement upon disposal.

In respect of all foreign operations, any differences that have arisen before 1 July 2004, the date of transition to AIFRS, are presented as a separate component of equity.

Photon Group Limited and its controlled entities
Notes to the consolidated financial statements

Significant accounting policies (continued)

(e) Derivative financial instruments

Current accounting policy

The consolidated entity uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Comparative period policy

The consolidated entity is exposed to changes in interest rates and foreign exchange rates from its activities. The consolidated entity uses the following derivative financial instruments to hedge these risks: interest rate swaps. Derivative financial instruments are not held for speculative purposes.

(f) Hedging

Current accounting policy

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised).

For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Notes to the consolidated financial statements

Significant accounting policies (continued)

(f) Hedging (continued)

Comparative period policy

(ii) Cash flow hedges

Transactions are designated as a hedge of the anticipated interest transaction, only when they are expected to reduce exposure to the risks being hedged. These transactions are designated prospectively so that it is clear when an anticipated transaction has or has not occurred and it is probable the anticipated transaction will occur as designated.

Gains or losses on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the income statement.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains or losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the interest transaction when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur as designated, deferred gains and losses that arose on the hedge prior to its termination are included in the income statement for the period.

Where a hedge is redesignated as a hedge of another transaction, gains or losses arising on the hedge prior to its redesignation are only deferred where the original anticipated transaction is still expected to occur as designated, any gains or losses relating to the hedge instrument are included in the income statement for the period.

Gains or losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur as designated. If the anticipated transaction is no longer expected to occur as designated, the gains or losses are recognised immediately in the income statement.

(g) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy k).

No items of plant and equipment that had been revalued to fair value on or prior to 1 July 2004, the date of transition to Australian Accounting Standards.

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

(ii) Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases.

(iii) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, 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.

Notes to the consolidated financial statements
Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

(iv) Depreciation

Depreciation is charged to the income statement on both a straight-line and diminishing value basis, as indicated below, over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

	2006		2005	
	Straight line	Diminishing Value	Straight line	Diminishing Value
Computer equipment	25% - 40%	20% - 40%	25% - 40%	20% - 40%
Office furniture and equipment	5% - 25%	5% - 40%	5% - 25%	5% - 40%
Plant and equipment	10% - 25%	-	10% - 25%	-
Leasehold improvements	Life of lease	-	10% - 33.33%	-
Plant and equipment under finance lease	Life of lease	-	25%	-

The residual value, the useful life and depreciation method applied to an asset are reassessed at least annually.

(h) Intangible assets

Goodwill

Business combinations

Business combinations prior to 1 July 2004

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 July 2004 has not been reconsidered in preparing the consolidated entity's opening AIFRS balance sheet at 1 July 2004 (see note 32).

Business combinations since 1 July 2004

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.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see accounting policy (k)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

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

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new 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 (k)).

(ii) 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 (k)).

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Notes to the consolidated financial statements

Significant accounting policies (continued)

(h) Intangible assets (continued)

(iii) 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.

(iv) Amortisation

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. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

- identifiable intangible assets 3 – 8 years on average, but no greater than 10 years
- capitalised development costs 1 – 3 years

(i) Trade and other receivables

(i) Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and appropriate proportion of variable and fixed overhead expenditure.

(ii) Other trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy (k)). The collectibility of debts is assessed at reporting date and specific provision is made for any doubtful accounts. Bad debts are written off as incurred.

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash balances 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.

(k) Impairment

The carrying amounts of the consolidated entity's assets, other than deferred tax assets (see accounting policy (s)), 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 accounting policy k(i)).

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.

Goodwill and indefinite-lived intangible assets were tested for impairment at 1 July 2004, the date of transition to AIFRSs, even though no indication of impairment existed.

Notes to the consolidated financial statements

Significant accounting policies (continued)

(k) Impairment (continued)

(i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's 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 date.

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 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.

(ii) Reversals of impairment

An impairment loss in respect of a 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 goodwill is not reversed.

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.

(l) Share capital

(i) Dividends

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

(ii) Transaction costs

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

(m) Interest-bearing borrowings

Current accounting policy

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.

Comparative period policy

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in Note 17 Trade and Other Payables. Interest expense is recognised on an effective yield basis.

Notes to the consolidated financial statements

Significant accounting policies (continued)

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits, other than pension plans, 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 Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iii) 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, statutory superannuation and payroll tax.

(iv) Share-based payment transactions

The share option programme allows consolidated entity employees to acquire shares of 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 a Black-Scholes 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 share prices not achieving the threshold for vesting.

(o) 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. If the effect is material, 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.

(i) Make good provision

The consolidated entity has made provision for make good on all operating leases for premises which require make good expenditure at completion of the lease. The amount of the provision for make good is capitalised and then amortised over the remaining term of the individual leases.

The provision is the best estimate of the expenditure required to settle the make good obligation. Future make good costs are reviewed annually and any changes are reflected in the provision at the end of the reporting period.

(ii) Lease incentive provision

The consolidated entity has made provision for lease incentives received. Lease incentives received are recognised in the income statement as an integral part of the total lease expense spread over the lease term.

Notes to the consolidated financial statements

Significant accounting policies (continued)

(p) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are settled within agreed terms.

(q) Revenue

All revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably. Gross revenue represents billings to clients, inclusive of cost of sales, relating to group subsidiaries where a principal relationship exists between the subsidiary and its client. Where group subsidiaries act as an agent revenue is recognised net of amounts collected/ paid on behalf of clients. Net revenue is the amount that flows to the group net of directly attributable costs of sales.

(i) Advertising, media and production revenue

Advertising, media and production revenues are recognised net of directly attributable cost of sales.

(ii) Retainer fees & commissions

Retainer fees which arise as part of a contract to provide services to a client are recognised over the term of the contract on a straight line basis, unless there is some other method that better represents the stage of completion.

Commissions based client revenue is recognised within the terms of the agreed commission percentage applied to client sales.

(iii) Dividends

Dividend revenue is recognised net of any franking credits.

Revenue from dividends and distributions from controlled entities is recognised by the parent entity when they are declared, determined or publicly recommended by the controlled entities.

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

(iii) Interest

Interest income is recognised in the income statement as it accrues, using the effective interest method.

(r) Expenses

(i) 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.

(ii) 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.

(iii) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest method, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (f)). Borrowing costs are expensed as incurred and included in finance costs.

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

Notes to the consolidated financial statements
Significant accounting policies (continued)

(s) 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 substantially 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: 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.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Photon 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 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.

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 payable (receivable) equal in amount to the tax liability (asset) assumed. The inter-entity payable (receivable) 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.

Notes to the consolidated financial statements

Significant accounting policies (continued)

(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.

(u) Goods and services tax

Revenue, 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 statement of financial position.

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.

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Notes to the consolidated financial statements

1. Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and are discussed below.

Key sources of estimation uncertainty

Note 16 contains information about the assumptions and their risk factors relating to goodwill impairment.

2. Segment reporting

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format, business segments, is based on the consolidated entity's management and internal reporting structure.

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

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

Capital expenditure is the total cost incurred during the period to acquire assets that are expected to be used for more than one period.

Business segments

The consolidated entity comprises the following main business segments:

- Business Intelligence
- Digital and Interactive
- Sales and Presence Marketing
- Mass Communication
- Specialised Communication Services

Geographical segments

The consolidated entity's divisions are divided into two main geographical areas as follows:

Australia: The consolidated entity is predominantly located in Australia, and generates the majority of its operating activities from Australian sources.

Other: Three of the consolidated entity group companies, being Robbins Brandt Richter Limited, Creo Limited and Demonstration Plus Limited (NZ) are New Zealand companies. The Leading Edge Market Research Consultants Pty Limited has a subsidiary based in Singapore which services the Asia Pacific region.

However no segment report is provided on a geographic basis as the "other" segment is not large enough to quantify as a reportable segment as it contributes less than 10% of the overall company profits.

Notes to the consolidated financial statements (continued)

2. Segment reporting (continued)

	Business Intelligence		Digital and Interactive		Sales and Presence Marketing		Mass Communications		Specialised Communications Services		Eliminations		Consolidated	
<i>In thousands of AUD</i>	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Segment revenue														
Total revenue	21,819	19,780	15,583	6,648	40,971	20,406	18,798	14,513	28,199	19,515	15	-	125,385	80,862
Unallocated revenue													236	93
Total revenue													<u>125,621</u>	<u>80,955</u>
Segment result	6,597	5,855	3,807	2,957	10,340	4,648	3,628	1,740	6,150	2,801	15	120	30,537	18,121
Unallocated expenses													(6,830)	(2,067)
Operating profit before net financing costs													23,707	16,054
Finance costs													(4,906)	(3,219)
Income tax expense													(5,934)	(4,217)
Profit for the period													<u>12,867</u>	<u>8,618</u>
* All segments are continuing operations														
Other Information														
Segment assets (excl. goodwill)	12,003	16,788	15,406	15,547	21,772	11,599	24,605	16,276	18,275	12,108	(15,564)	(22,866)	76,497	49,452
Goodwill	28,061	24,274	22,625	19,567	68,139	37,498	27,669	18,903	20,492	16,031			166,986	116,273
Investment in equity method associates									470	421			470	421
Unallocated corporate assets													6,170	4,859
Consolidated total assets													<u>250,123</u>	<u>171,005</u>
Segment liabilities	8,804	9,980	6,857	6,101	15,009	8,369	16,683	12,869	12,785	7,433	(9,743)	(6,987)	50,395	37,765
Unallocated corporate liabilities													97,828	45,134
Consolidated total liabilities													<u>148,223</u>	<u>82,899</u>
Capital expenditure													3,710	2,031
Depreciation													2,064	1,299

Notes to the consolidated financial statements (continued)

3. Other income

<i>In thousands of AUD</i>	Note	Consolidated		The Company	
		2006	2005	2006	2005
Interest:					
Related parties	30	-	-	15	53
Other parties		535	244	198	52
Dividends:					
Related parties	30	-	-	23,189	273
Net gain on disposal of plant and equipment		-	23	-	-
Trade grants		39	37	-	-
Other		269	257	607	-
		843	561	24,009	378

4. Profit before income tax expense

Profit before income tax expense has been arrived at after charging/ (crediting) the following items:

<i>In thousands of AUD</i>	Consolidated		The Company	
	2006	2005	2006	2005
Finance costs				
Present value interest charges with respect to the deferred consideration of acquisitions	1,384	924	1,145	832
Other parties	3,522	2,295	3,275	2,203
Related parties	-	-	1	2
	4,906	3,219	4,421	3,037
Depreciation of:				
Plant and equipment	1,834	1,147	42	19
Amortisation of:				
Intangible assets	1,763	436	-	-
Leased assets	1,292	596	440	-
Total depreciation and amortisation	4,889	2,179	482	19
Net bad and doubtful debt expense including movements in provision for doubtful debts	(41)	101	-	-
Net expense/ (credit) for movements in provision for:				
Employee entitlements	840	485	56	2
Lease incentive	(399)	(78)	-	-
Operating lease rental expense:				
Minimum lease rental payments	4,982	3,536	-	43
Foreign exchange (gain)/ loss	(19)	(2)	-	-

Notes to the consolidated financial statements (continued)

5. Auditors' remuneration

<i>In AUD</i>	Consolidated		The Company	
	2006	2005	2006	2005
Audit services				
Auditors of the Company – KPMG Australia	336,700	333,460	88,147	117,000
Auditors of the Company – overseas KPMG firm	13,570	11,960	-	-
Other auditors				
Audit and review of financial reports	-	7,500	-	-
	350,270	352,920	88,147	117,000
<i>In AUD</i>				
Other services				
Migration services work:				
Auditors of the Company – KPMG Australia	64,389	56,678	-	-
Workers compensation insurance reported wages review:				
Auditors of the Company – KPMG Australia	3,000	3,050	-	-
Transaction and due diligence service:				
Auditors of the Company – KPMG Australia	201,640	25,200	201,640	25,200
	269,029	84,928	201,640	25,200

Notes to the consolidated financial statements (continued)

6. Income tax expense

Recognised in the income statement

In thousands of AUD

Current tax expense

Current year
Adjustments for prior years

Deferred tax expense

Origination and reversal of temporary differences
Benefit of tax losses recognised

Total income tax expense in income statement

Note	Consolidated		The Company	
	2006	2005	2006	2005
	6,133	4,287	(1,988)	(1,331)
	(498)	(5)	(201)	-
	5,635	4,282	(2,189)	(1,331)
	327	313	159	122
	(28)	(378)	-	(378)
	299	(65)	159	(256)
	5,934	4,217	(2,030)	(1,587)

All income tax is attributable to continuing operations

Numerical reconciliation between tax expense and pre-tax net profit

In thousands of AUD

Prima facie income tax expense calculated at 30% on the profit from ordinary activities

Increase in income tax expense due to:

Amortisation of identifiable intangible assets
Other non-deductible expenses
Effect of higher tax rate on overseas incomes

Decrease in income tax expense due to:

Share of joint venture entities' net profit
Franking credits on dividends received
Other non-assessable income
Under/ (over) provision for tax in previous year
Realisation of tax losses not previously brought to account
Unwinding of deferred tax liability established in business combinations
Tax losses not brought to account

Income tax expense on pre-tax net profit

	Consolidated		The Company	
	2006	2005	2006	2005
	5,640	3,900	4,664	(1,457)
	529	82	-	-
	551	538	444	330
	(10)	11	-	-
	(65)	(51)	-	-
	-	-	(81)	(82)
	(6)	(9)	(6,876)	-
	(498)	(5)	(201)	-
	-	(378)	-	(378)
	(349)	-	-	-
	142	129	20	-
	5,934	4,217	(2,030)	(1,587)

Notes to the consolidated financial statements (continued)

6. Income tax expense (continued)

Deferred tax recognised directly in equity

	Note	Consolidated		The Company	
		2006	2005	2006	2005
<i>In thousands of AUD</i>					
Relating to equity settled transactions	22	237	307	237	307
		237	307	237	307

7. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 30 June 2006 was based on the profit attributable to ordinary shareholders of \$12,655,889 (year ended 30 June 2005: \$8,703,012) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2006 of 58,397,855 (year ended 30 June 2005: 49,906,755), calculated as follows:

Profit attributable to ordinary shareholders

For the year ended 30 June

In thousands of AUD

	2006	2005
Profit for the period	12,656	8,703
Profit attributable to ordinary shareholders	12,656	8,703

Weighted average number of ordinary shares

For the year ended 30 June

In thousands of AUD

	30 June 2006	30 June 2005
Weighted average number of ordinary shares at 30 June	58,398	49,907

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 30 June 2006 was based on profit attributable to ordinary shareholders of \$12,655,889 (year ended 30 June 2005: \$8,703,012) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2006 of 59,879,990 (year ended 30 June 2005: 50,808,214), calculated as follows:

Profit attributable to ordinary shareholders (diluted)

For the year ended 30 June

In thousands of AUD

	2006	2005
Profit attributable to ordinary shareholders	12,656	8,703
Profit attributable to ordinary shareholders (diluted)	12,656	8,703

Weighted average number of ordinary shares (diluted)

For the year ended 30 June

In thousands of shares

	2006	2005
Weighted average number of ordinary shares at 30 June	58,398	49,907
Effect of share options on issue	1,154	349
Effect of unissued shares under option for options issued prior to company listing	328	553
Weighted average number of ordinary shares (diluted) at 30 June	59,880	50,809

Notes to the consolidated financial statements (continued)

8. Cash and cash equivalents

	Note	Consolidated		The Company	
		2006	2005	2006	2005
<i>In thousands of AUD</i>					
Cash at bank and on hand		11,678	9,473	2,291	2,046
Bank short term deposits		56	315	-	-
Cash and cash equivalents in the balance sheet		11,734	9,788	2,291	2,046
Bank overdraft	18	(453)	-	-	-
Cash and cash equivalents recognised in the statement of cash flows	29	11,281	9,788	2,291	2,046

9. Trade and other receivables

	Note	Consolidated		The Company	
		2006	2005	2006	2005
<i>In thousands of AUD</i>					
Current					
Trade receivables		35,295	23,218	708	109
Less: Impairment provision		(173)	(229)	-	-
		35,122	22,989	708	109
Other debtors		2,620	1,852	416	22
		2,620	1,852	416	22
		37,742	24,841	1,124	131
Non-current					
Loans to controlled entities		-	-	9,298	5,607
Other non-current receivables		42	19	-	-
		42	19	9,298	5,607

No interest is charged on trade debtors

Other debtors includes a current tax indemnity for an amount of \$1,613,130 representing an indemnity granted to the group by the former shareholders of The Bailey Group. A corresponding provision for current income tax expense is recorded as a potential liability to the Australian Taxation Office. Refer to note 25, "Contingencies", for additional detail.

10. Other assets

	Note	Consolidated		The Company	
		2006	2005	2006	2005
<i>In thousands of AUD</i>					
Current					
Work in progress		5,037	3,729	-	-
Prepayments		1,046	681	180	27
Other		402	176	54	44
		6,485	4,586	234	71
Non-current					
Deposits		94	149	-	-
Other non-current assets		614	815	264	291
		708	964	264	291

Notes to the consolidated financial statements (continued)

11. Other financial assets

In thousands of AUD

Non-current investments

Deposit – interest bearing

Interest bearing deposits are amounts paid to secure leasing facilities. These amounts are held in bank term deposit accounts and pay at an average weighted interest rate of 5.45% at 30 June 2006 (30 June 2005: 5.25%)

Investments in controlled entities – at cost

Investments in associated entities

Note	Consolidated		The Company	
	2006	2005	2006	2005
	95	95	-	-
	-	-	182,019	127,400
	-	-	182,019	127,400
28	470	421	667	667
	565	516	182,686	128,067

12. Current tax liabilities

The current tax liability for the consolidated entity of \$3,528,215 (2005: \$2,995,446) and for the Company of \$3,400,451 (2005: \$2,803,338) represent the amount of income taxes payable in respect of current and prior 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.

Notes to the consolidated financial statements (continued)

13. Investments accounted for using the equity method

Investments in associates

In the financial statements of the Company, investments in associates are accounted for at cost and included with other financial assets. (Refer note 11). The consolidated entity accounts for investments in associates using the equity method.

The consolidated entity has the following investments in associates:

	Principal activities	Country	Reporting Date	Ownership	
				2006	2005
Bellamyhayden Pty Limited	Specialised Communication Services	Australia	30 June 2006	40%	40%

In thousands of AUD	Revenues (100%)	Profit/(loss) (100%)	Share of associates net profit/(loss) recognised	Total Assets (100%)	Total Liabilities (100%)	Net assets as reported by associates (100%)	Share of associate's net assets equity accounted
2006							
Bellamyhayden Pty Limited	3,835	540	216	1,431	520	911	364
	3,835	540	216	1,431	520	911	364
2005							
Bellamyhayden Pty Limited	2,966	427	171	1,170	382	787	315
	2,966	427	171	1,170	382	787	315

Goodwill amounting to \$106,000 forms part of the equity accounted investment in associate in the consolidated accounts.
For further information on associates refer to note 28.

Notes to the consolidated financial statements (continued)

14. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of AUD

Note	Consolidated		The Company	
	2006	2005	2006	2005
Deferred tax asset				
Tax losses carried forward	142	134		134
Employee benefits	1,561	1,124	23	81
Provision for doubtful debts	49	49	-	-
Accruals and income in advance	781	603	210	25
Leased assets	76	19	64	-
Lease make good	133	74	1	74
Lease incentive	102	-	-	-
Building relocation costs	2	-	-	-
Deductible share issue costs	350	190	350	189
Fixed assets	322	167	-	-
IT related intellectual property	242	-	-	-
	3,760	2,360	648	503
Deferred tax liabilities				
Customer contracts and customer relationship intangibles	1,813	675	-	-
Work-in-progress	1,424	800	-	-
Provision for deferred instalments	-	3	-	-
	3,237	1,478	-	-
Deferred tax assets/liabilities not taken into account				
Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from:				
Revenue losses	1,025	1,025	-	-
Capital losses	1,858	1,894	1,858	1,894
Tax losses carried forward	2,883	2,919	1,858	1,894

Notes to the consolidated financial statements (continued)

15. Plant and equipment

In thousands of AUD

	Note	Consolidated		The Company	
		2006	2005	2006	2005
Computer equipment					
At cost		3,918	2,772	185	72
Accumulated depreciation		(2,215)	(1,859)	(70)	(32)
		1,703	913	115	40
Office furniture & equipment					
At cost		4,600	2,738	25	10
Accumulated depreciation		(2,487)	(1,677)	(10)	(7)
		2,113	1,061	15	3
Plant and equipment					
At cost		5,322	4,473	-	-
Accumulated depreciation		(3,292)	(2,638)	-	-
		2,030	1,835	-	-
Leasehold Improvements					
At cost		1,713	966	704	-
Accumulated depreciation		(577)	(409)	(84)	-
		1,136	557	620	-
Plant & equipment under finance lease					
At cost		7,249	3,814	2,656	-
Accumulated amortisation		(2,786)	(2,035)	(356)	-
		4,463	1,779	2,300	-
Total plant and equipment, net book value		11,445	6,145	3,050	43

Notes to the consolidated financial statements (continued)

15. Plant and equipment -- (Continued)

		Consolidated		The Company	
<i>In thousands of AUD</i>	Note	2006	2005	2006	2005
Reconciliations					
Reconciliations of the carrying amounts of each class of property, plant and equipment are set out below:					
Computer equipment					
Carrying amount at the beginning of the year		913	704	40	15
Acquisitions through entity acquired		541	12	-	-
Additions		826	665	117	42
Depreciation		(564)	(463)	(39)	(17)
Net foreign currency differences on translation of foreign operations		(2)	-	-	-
Disposals		(11)	(5)	(3)	-
Carrying amount at the end of the year		1,703	913	115	40
Office furniture & equipment					
Carrying amount at the beginning of the year		1,061	883	3	4
Acquisitions through entity acquired		749	293	-	-
Additions		874	183	15	1
Depreciation		(521)	(200)	(3)	(2)
Net foreign currency differences on translation of foreign operations		(7)	-	-	-
Disposals		(43)	(98)	-	-
Carrying amount at the end of the year		2,113	1,061	15	3
Plant & equipment					
Carrying amount at the beginning of the year		1,835	807	-	-
Acquisitions through entity acquired		139	620	-	-
Additions		958	956	-	-
Depreciation		(749)	(484)	-	-
Disposals		(153)	(64)	-	-
Carrying amount at the end of the year		2,030	1,835	-	-
Leasehold improvements					
Carrying amount at the beginning of the year		557	218	-	-
Acquisitions through entity acquired		24	264	-	-
Additions		1,052	227	704	-
Depreciation		(486)	(152)	(84)	-
Net foreign currency differences on translation of foreign operations		(1)	-	-	-
Disposals		(10)	-	-	-
Carrying amount at the end of the year		1,136	557	620	-

Notes to the consolidated financial statements (continued)

15. Plant and equipment – (Continued)

		Consolidated		The Company	
<i>In thousands of AUD</i>	Note	2006	2005	2006	2005
<i>Leased plant & equipment</i>					
Carrying amount at the beginning of the year		1,779	160	-	-
Acquisitions through business combinations		1	1,104	-	-
Additions		3,496	960	2,656	-
Amortisation		(806)	(444)	(356)	-
Net foreign currency differences on translation of foreign operations		(6)	-	-	-
Disposals		(1)	(1)	-	-
Carrying amount at the end of the year		4,463	1,779	2,300	-

16. Intangible assets

		Consolidated		The Company	
	Note	2006	2005	2006	2005
<i>In thousands of AUD</i>					
Goodwill					
At cost		166,986	116,273	-	-
		166,986	116,273	-	-
IT related intellectual property					
At cost		5,648	3,700	-	-
Accumulated amortisation		(1,036)	(217)	-	-
		4,612	3,483	-	-
Contracts and customer relationships					
At cost		7,208	2,250	-	-
Accumulated amortisation		(1,164)	(220)	-	-
		6,044	2,030	-	-
Total intangible assets, net carrying value					
		177,642	121,786	-	-

Notes to the consolidated financial statements (continued)

16. Intangible assets – (Continued)

In thousands of AUD	Note	Consolidated		The Company	
		2006	2005	2006	2005
Reconciliations					
Reconciliations of the carrying amounts of intangibles are set out below:					
Goodwill					
Carrying amount at the beginning of the year		116,273	68,489	-	-
Acquisitions through business combinations		41,252	47,784	-	-
Adjustments through deferred consideration		9,461	-	-	-
Impairment		-	-	-	-
Disposals		-	-	-	-
Carrying amount at the end of the year		166,986	116,273	-	-
IT related intellectual property					
Carrying amount at the beginning of the year		3,483	-	-	-
Acquisitions through business combinations		1,347	3,700	-	-
Additions		601	-	-	-
Amortisation		(819)	(217)	-	-
Disposals		-	-	-	-
Carrying amount at the end of the year		4,612	3,483	-	-
Contracts and Customer Relationships					
Carrying amount at the beginning of the year		2,030	-	-	-
Acquisitions through business combinations		4,958	2,250	-	-
Additions		-	-	-	-
Amortisation		(944)	(220)	-	-
Disposals		-	-	-	-
Carrying amount at the end of the year		6,044	2,030	-	-

Amortisation charge

The amortisation and charge is recognised in the depreciation and amortisation expense in the income statement.

Impairment tests for cash generating units containing goodwill

Refer above for the balance of goodwill carried in the consolidated entity at the end of the reporting period.

Goodwill is allocated to the groups cash generating units (CGU's) which is allocated on a company by company basis. The recoverable amount of a CGU is assessed using calculation methodologies based on value-in-use calculations which utilise projected cashflows from financial budgets approved by the Board of Directors. The cashflow models consider growth in the CGU's over the medium term, being five years discounted to present value using a discount rate based on the company's pre-tax weighted average cost of capital (WACC) adjusted if necessary to reflect the specific characteristics of each CGU. The growth rates reflected in the testing model considered a range of 5-10%. The discount rate utilised considered a range of 7.79% to 12.72%. The impairment test was satisfied in all scenarios. A capitalisation multiple is then applied to this medium term cumulative discounted cash flow and an acceptable valuation range is formulated and tested against the carrying value of goodwill associated with each CGU.

Key assumptions used in the approach to test for impairment relate to the WACC and the capitalisation factor applied to projected cashflows.

Notes to the consolidated financial statements (continued)

17. Trade and other payables

In thousands of AUD	Note	Consolidated		The Company	
		2006	2005	2006	2005
Current liabilities					
Trade payables		13,291	9,614	720	371
Other trade payables and accrued expenses		15,082	9,580	929	137
Unearned income		2,130	3,351	-	-
Deferred consideration payable		17,394	10,432	14,272	9,229
Payable to related parties		-	-	6,699	16,050
		47,897	32,977	22,620	25,787
Non-current liabilities					
Deferred consideration payable		20,010	9,676	18,994	7,128

18. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings. For more information about the consolidated entity's exposure to interest rate and foreign currency risk, see note 23.

<i>In thousands of AUD</i>	Consolidated		The Company	
	2006	2005	2006	2005
Current liabilities				
Secured overdraft	453	-	-	-
Finance lease liabilities	1,026	518	296	-
Hire purchase lease liabilities	264	306	-	-
	<u>1,743</u>	<u>824</u>	<u>296</u>	<u>-</u>
Non-current liabilities				
Secured bank loans	58,542	28,500	58,542	28,500
Finance lease liabilities	3,573	1,302	2,221	-
Hire purchase lease liabilities	422	363	-	-
Other non-current loans	316	-	-	-
	<u>62,853</u>	<u>30,165</u>	<u>60,763</u>	<u>28,500</u>

Notes to the consolidated financial statements (continued)

18. Interest-bearing loans and borrowings (continued)

Financing facilities

In thousands of AUD

Financing arrangements

The consolidated entity has access to the following lines of credit:

Total facilities available:

	Consolidated		The Company	
	2006	2005	2006	2005
Bank overdrafts	630	630	-	-
Fixed/ variable rate cash advance facility	91,000	40,000	91,000	40,000
Interest rate swap facility	1,400	1,400	1,400	1,400
Lease finance facility	4,500	2,500	4,500	2,500
Indemnity guarantee facility	4,320	3,700	4,320	3,700
Payroll facility	7,000	-	7,000	-
Credit card facility	170	-	170	-
Clean credit facility	3	-	3	-
	109,023	48,230	108,393	47,600

Facilities used at reporting date:

Bank overdrafts	453	-	-	-
Fixed/ variable rate cash advance facility	58,542	28,500	58,542	28,500
Interest rate swap facility	-	-	-	-
Lease finance facility	3,897	806	2,517	806
Indemnity guarantee facility	4,211	3,377	4,211	3,377
Payroll facility	-	-	-	-
Credit card facility	-	-	-	-
Clean credit facility	-	-	-	-
	67,103	32,683	65,270	32,683

Facilities not utilised at reporting date:

Bank overdraft	177	630	-	-
Fixed/ variable rate cash advance facility	32,458	11,500	32,458	11,500
Interest rate swap facility	1,400	1,400	1,400	1,400
Lease finance facility	603	1,694	1,983	1,694
Indemnity guarantee facility	109	323	109	323
Payroll facility	7,000	-	7,000	-
Credit card facility	170	-	170	-
Clean credit facility	3	-	3	-
	41,920	15,547	43,123	14,917

Financing arrangements

All finance facilities, with the exception of the bank overdraft, are negotiated and held by the company on behalf of the consolidated group.

Bank overdrafts

The bank overdraft of the Ad Partners Group Pty Limited is under the same security requirements as the Fixed/ Variable Rate Cash Advance Facility. The bank overdraft is payable on demand and subject to annual review. Interest on the bank overdraft is charged at prevailing market rates.

Fixed/ Variable Rate Cash Advance Facility

The fixed/ variable rate cash advance facility bears interest based on the following:

- \$70million general corporate finance facility: the bank bill swap reference rate - average bid for 30 days plus a fixed margin.
- \$18million acquisition finance facility: the bank bill swap reference rate - average bid for 30 days plus a fixed margin.
- \$3million general working capital facility: the bank bill swap reference rate - average bid for 30 days plus a fixed margin.

The bank bill swap rate is fixed on a quarterly basis through the use of interest rate swap arrangements (as detailed below).

Notes to the consolidated financial statements (continued)

18. Interest-bearing loans and borrowings (continued)

Financing arrangements (continued)

Fixed/ Variable Rate Cash Advance Facility (continued)

The cash advance facility is secured by:

- a First Registered Company Charge (Mortgage Debenture) over all the assets and undertakings of Photon Group Limited and each of its wholly owned subsidiaries with the exception of AdPartners Group Pty Limited
- Cross Guarantee and Indemnity between all wholly-owned subsidiaries with the exception of AdPartners Group Pty Limited, and
- Standard Shares and Securities Mortgage over all shares held by Photon Group Limited in its controlled and associated entities.

Repayment terms relating to the Fixed/ Variable Rate Cash Advance Facility require the amount to be repaid in full by the Termination Date, being 31 March 2009.

Interest rate swap facility

The interest rate swap facility is in place to assist with hedging in interest rate exposures. The facility was not utilised as at balance date. As at 30 June 2006 interest rate swap transactions swapping fixed for floating interest rates were in place under the following arrangements:

- Fixed rate of 5.9039% for a notional amount of \$20,000,000 for a three year term ending 31 March 2009
- Fixed rate of 5.74% for a notional amount of \$20,000,000 for a three year term ending 31 March 2009

Lease finance facility

The lease finance facility is subject to annual review and is in place to assist with capital expenditure requirements.

Indemnity guarantee facility

The indemnity guarantee facility is in place to support financial guarantees outstanding at any one time. Specific guarantee amounts are as follows:

- \$3,000,000 supporting the deferred consideration payments to the vendors of The Leading Edge Market Research Consultants Pty Limited
- \$1,211,312 supporting property rental and other obligations

Payroll facility

The payroll facility is subject to annual review and is in place to assist with distribution of payroll and payments to creditors.

Credit card facility

The credit card facility is subject to annual review and is subject to application approval and the Bank's standard terms and conditions.

Clean Credit Facility

The clean credit facility is subject to annual review and is subject to application approval and the Bank's standard terms and conditions.

In thousands of AUD	Consolidated		The Company	
	2006	2005	2006	2005
Finance lease payable commitments				
<i>Finance lease commitments are payable:</i>				
Within one year	1,332	622	474	-
One year or later and no later than five years	4,089	1,301	2,740	-
Later than five years	131	131	-	-
	<u>5,552</u>	<u>2,054</u>	<u>3,214</u>	<u>-</u>
Less: Future lease finance charges	(953)	(234)	(697)	-
	<u>4,599</u>	<u>1,820</u>	<u>2,517</u>	<u>-</u>
Lease liabilities provided for in the financial statements				
Current	1,026	518	296	-
Non-current	3,573	1,302	2,221	-
<i>Finance lease commitments are payable:</i>	<u>4,599</u>	<u>1,820</u>	<u>2,517</u>	<u>-</u>

The consolidated entity leases plant and equipment under finance leases expiring from 1 to 10 years. At the end of the lease term, the consolidated entity has the option to purchase the equipment at a substantial discount to market value. The terms of the leases require that additional debt and further leases are not undertaken without prior approval of the lessor.

Notes to the consolidated financial statements (continued)

19. Employee benefits

In thousands of AUD

Aggregate liability for employee benefits, including on-costs

Current

Employee benefits provision

Non-current

Employee benefits provision

Consolidated		The Company	
2006	2005	2006	2005
4,642	3,049	64	16
693	636	12	6

The present values of employee entitlements not expected to be settled within twelve months of reporting date have been calculated using the following weighted averages:

Assumed rate increase in salary and wage rates

Discount rate

Settlement term (years)

Consolidated		The Company	
2006	2005	2006	2005
0-5%	0-5%	0-5%	0-5%
5.4%	5.1%	5.4%	5.1%
7-10	10	10	10
931	491	6	5

Number of employees

Number of employees at year end

Superannuation

The Company and certain controlled entities contribute to various defined contribution superannuation funds for the benefit of employees.

Equity-based plans

Employee share option scheme (ESOS)

On 29 July 2005, the Company issued 733,750 options to employees under the Company's Employee Share Options Scheme (ESOS) in order to provide a competitive remuneration structure. The exercise price of these options will be \$2.99, being the Volume Weighted Average Share Price (VWAP) for the 30 days prior to 29 July 2005, the date on which the Remuneration Committee approved the issue of options (subject to shareholder approval). This issue was approved by shareholders at the Company's Annual General Meeting.

Executive share option plan (ESOP)

The Company has an executive share option plan.

The plan allows for the Board to determine who is entitled to participate in the ESOP and may grant options accordingly. Photon's remuneration committee may determine whether or not the grant or exercise of options is conditional on the achievement of performance hurdle, and if so, the nature of such performance hurdles.

The exercise of an option will entitle the option holder to subscribe for one share.

On 25 October 2005 the Company issued 1,000,000 options for no consideration to Mr Tim Hughes which was approved by shareholders at the Company's Annual General Meeting. The exercise price of the options will be \$2.99, being the Volume Weighted Average Share Price (VWAP) for the 30 days prior to 29 July 2005, the date on which the Company's Remuneration Committee approved the issue of options (subject to shareholder approval). This issue was approved by shareholders at the Company's Annual General Meeting.

Details of options over unissued ordinary shares held by executives of the consolidated entity are set out in the Remuneration report in the Directors Report.

Notes to the consolidated financial statements (continued)

19. Employee benefits (continued)

Equity-based plan (continued)

Executive share option plan (ESOP) & Employee share option scheme (ESOS)

Summary of options over unissued ordinary shares

Grant date	Exercise date on or after	Expiry date	Exercise Price	Numbers of options at beginning of year	Options granted	Options exercised	Number of options at year end		Proceeds received	Date issued	No. of shares issued
							On issue	Vested			
Consolidated and company											
2006											
28 Nov 03	31 Jan 04	27 Nov 08	\$1.50	275,000	-	250,000	25,000	-	375,000	19 Sep 05	250,000
1 April 04	1 April 05	1 April 09	\$1.80	700,000	-	-	700,000	-	-	-	-
31 May 05	31 May 07	31 May 10	\$2.87	1,000,000	-	-	1,000,000	-	-	-	-
29 July 05	29 July 05	29 July 10	\$2.99	-	1,733,750	-	1,733,750	-	-	-	-
				1,975,000	1,733,750	250,000	3,458,750	-	375,000	-	250,000
2005											
28 Nov 03	31 Jan 04	27 Nov 08	\$1.50	275,000	-	-	275,000	-	-	-	-
1 April 04	1 April 05	1 April 09	\$1.80	700,000	-	-	700,000	-	-	-	-
31 May 05	31 May 07	31 May 10	\$2.87	-	1,000,000	-	1,000,000	-	-	-	-
				975,000	1,000,000	-	1,975,000	-	-	-	-

No options were forfeited during the year.

The weighted average share price of options exercised during the year on the day of exercise was \$3.75.

The fair value of share options and associated assumptions are disclosed in the Remuneration report within the Directors report.

In addition to the above, 480,000 of options over ordinary shares granted prior to November 2002 were exercised at an exercise price of \$1.25 during the year.

Notes to the consolidated financial statements (continued)

20. Key management personnel disclosures

Disclosures of remuneration policies, service contracts and details of key management personnel remuneration as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are included in the Remuneration report in the Directors Report.

Loans and other transaction with key management personnel

Loans

No loans were outstanding at the reporting date to key management personnel.

Other transactions with the Company or its controlled entities

A number of the key management personnel, or their personally related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel, and their personally-related entities, total revenues of \$60,000 and total expenses of \$245,000. Details of the transactions are as follows:

Key management personnel	Transaction	Note	Consolidated	Consolidated
			2006 \$'000	2005 \$'000
S Reynolds	Consultancy	(i)	(50)	(50)
T Hughes	Public relations	(ii)	-	8
S McIntosh	Public relations & project management and production	(iii)	29	142
P Gregory	Digital graphics production	(iv), (v)	31	145
M Bailey	Rental of subsidiary premises	(vi)	(195)	(186)

(i) Consultancy services were provided by S Reynolds to the consolidated entity

(ii) Public relations services are provided to Macquarie Regional Radioworks by CPR Communications and Public Relations Pty Limited and Bay Street Media Works (a division of AdPartners Group Pty Limited)

(iii) Public relations services are provided to RG Properties Pty Limited by Bay Street Media Works (a division of AdPartners Group Pty Limited) in addition to project management and production services provided by Australian Business Theatre Pty Limited. S McIntosh is director of RG Properties Pty Limited

(iv) Digital graphics production services are provided to Beach Culture Australia Pty Limited by Image Box Pty Limited. Paul Gregory provides management services to Beach Culture Australia Pty Limited.

(v) Digital graphics production services are provided to The World Game Store by Image Box Pty Limited. Paul Gregory provides management services to The World Game Store.

(vi) The Bailey Superannuation Fund provided rental property services to The Bailey Group Pty Limited

Notes to the consolidated financial statements (continued)

20. Key management personnel disclosures (continued)

In addition to key executives and non-executive directors, the following were key management personnel of the consolidated entity at any time during the reporting period, and unless otherwise indicated were key management personnel for the entire period.

	Position	Period of service (if less than full 2006 financial year)
Geoff Nesbitt	CFO/ Company Secretary, Photon Group Limited	-
Derek Leddie	CEO Business Intelligence Pillar & Director The Leading Edge Marketing Research Consultants Pty Limited	-
David Burden	CEO Digital Interactive Pillar & CEO Legion Interactive Pty Limited	-
Stewart Bailey	CEO The Bailey Group Pty Limited	-
Adam Kilgour	CEO Specialised Communication Services Pillar and CEO CPR Communications & Public Relations Pty Limited	-

Notes to the consolidated financial statements (continued)

21. Provisions

In thousands of AUD

Current

Lease make good
Lease incentive

Non-current

Lease make good
Lease incentive

Reconciliations

Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:

Lease incentive – current

Carrying amount at beginning of year
Re-classification from non-current
Increase due to new incentive
Increase through business combinations
Released during the year
Carrying amount at end of year

Lease incentive – non-current

Carrying amount at beginning of year
Re-classification to current
Increase due to new incentive
Increase through business combinations
Carrying amount at end of year

Make good provision – current

Carrying amount at beginning of year
Re-classification from non-current
Increase through business combinations
Provision released during the year
Carrying amount at end of year

Make good provision – non-current

Carrying amount at beginning of year
Re-classification to current
Increase due to new provision
Increase through business combinations
Carrying amount at end of year

Note	Consolidated		The Company	
	2006	2005	2006	2005
	131	-	-	-
	464	114	343	-
	595	114	343	-
	834	609	15	-
	2,191	376	1,917	-
	3,025	985	1,932	-
	114	117	-	-
	464	-	343	-
	285	-	285	-
	-	75	-	-
	(399)	(78)	(285)	-
	464	114	343	-
	376	-	-	-
	(464)	-	(343)	-
	2,279	54	2,260	-
	-	322	-	-
	2,191	376	1,917	-
	-	-	-	-
	107	-	-	-
	155	-	-	-
	(131)	-	-	-
	131	-	-	-
	609	409	-	-
	(107)	-	-	-
	234	-	15	-
	98	200	-	-
	834	609	15	-

Notes to the consolidated financial statements (continued)

22. Capital and reserves

In thousands of AUD

Share capital

59,367,427 (2005: 56,392,127) ordinary shares, fully paid

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings.

Ordinary shares

Movements during the year

Balance at beginning of year

56,392,127 (2005: 49,036,632) shares

Shares issued:

- 589,830 share issued pursuant to acquisition of The Leading Edge Market Research Consultants Pty Limited for \$3.03 per share
- 1,333,333 share issued pursuant to acquisition of Counterpoint Marketing & Sales Pty Limited ("Counterpoint") for \$3.00 per share
- 200,000 shares issued pursuant to acquisition of SEE Life Differently Pty Limited ("SEE") for \$3.78 per share
- 122,137 shares issued pursuant to acquisition of Demonstration Plus Pty Limited ("Demo Plus") for \$3.93 per share
- 480,000 shares issued pursuant to exercise of options under the terms of the Employee Share Ownership Program ("ESOP")
- 250,000 shares issued pursuant to exercise of options under the terms of the ESOP.
- 1,699,556 shares issued pursuant to acquisition of Legion Interactive Holdings Pty Limited ("Legion") for \$2.85 per share
- 5,655,939 shares issued pursuant to a share placement for \$2.80 per share

Transaction costs arising from issue of shares

Tax effect of transactions through equity

Transaction costs arising from share issue under placement and shares issued for acquisition of interest in controlled entities

Balance at end of year

	Consolidated		The Company	
	2006	2005	2006	2005
Share capital				
59,367,427 (2005: 56,392,127) ordinary shares, fully paid	90,755	82,547	90,755	82,547
Ordinary shares				
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings.				
Ordinary shares				
Movements during the year				
Balance at beginning of year				
56,392,127 (2005: 49,036,632) shares	82,547	62,190	82,547	62,190
Shares issued:				
- 589,830 share issued pursuant to acquisition of The Leading Edge Market Research Consultants Pty Limited for \$3.03 per share	1,787	-	1,787	-
- 1,333,333 share issued pursuant to acquisition of Counterpoint Marketing & Sales Pty Limited ("Counterpoint") for \$3.00 per share	4,000	-	4,000	-
- 200,000 shares issued pursuant to acquisition of SEE Life Differently Pty Limited ("SEE") for \$3.78 per share	756	-	756	-
- 122,137 shares issued pursuant to acquisition of Demonstration Plus Pty Limited ("Demo Plus") for \$3.93 per share	480	-	480	-
- 480,000 shares issued pursuant to exercise of options under the terms of the Employee Share Ownership Program ("ESOP")	600	-	600	-
- 250,000 shares issued pursuant to exercise of options under the terms of the ESOP.	375	-	375	-
- 1,699,556 shares issued pursuant to acquisition of Legion Interactive Holdings Pty Limited ("Legion") for \$2.85 per share	-	4,844	-	4,844
- 5,655,939 shares issued pursuant to a share placement for \$2.80 per share	-	15,837	-	15,837
Transaction costs arising from issue of shares	(27)	-	(27)	-
Tax effect of transactions through equity	237	307	237	307
Transaction costs arising from share issue under placement and shares issued for acquisition of interest in controlled entities	-	(631)	-	(631)
Balance at end of year	90,755	82,547	90,755	82,547

Capital and reserves (continued)*In thousands of AUD*

	Consolidated		The Company	
	2006	2005	2006	2005
Reserves				
Foreign currency translation reserve				
Balance at beginning of year	9	10	-	-
Exchange difference on net investment in foreign operations net of tax	(40)	(1)	-	-
Balance at end of year	(31)	9	-	-
Options reserve				
Balance at beginning of year	251	36	251	36
Share option expense	462	215	462	215
	713	251	713	251
Total reserves at end of year	682	260	713	251
Retained earnings/ (accumulated losses)				
Balance at beginning of year	1,842	(4,409)	(10,279)	(4,556)
Total recognised income and expense	12,656	8,703	17,578	(3,271)
Dividends to shareholders	(7,596)	(2,452)	(7,596)	(2,452)
Balance at end of year	6,902	1,842	(297)	(10,279)
Minority interest				
Balance at beginning of year	3,457	3,255	-	-
Total recognised income and expense	211	239	-	-
Dividends to shareholders	(107)	(37)	-	-
Balance at end of year	3,561	3,457	-	-
Total share capital and reserves				
Share capital	90,755	82,547	90,755	82,547
Options reserve	713	251	713	251
Foreign currency translation reserve	(31)	9	-	-
Retained earnings/ (accumulated losses)	6,902	1,842	(297)	(10,279)
Minority interest	3,561	3,457	-	-
Total share capital and reserves	101,900	88,106	91,171	72,519

Notes to the consolidated financial statements (continued)

22. Capital and reserves (continued)

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Options reserve

The options reserve comprises the cumulative expense relating to the fair value of options on issue to key management personnel and employees.

Dividends

	Cents per share	Total amount \$'000	Date of payment	Franked/ unfranked
2006				
Final 2005 – Ordinary shares	5.0c	2,857	4 October 2005	Franked
Interim 2006 – Ordinary shares	8.0c	4,739	3 April 2006	Franked
		<u>7,596</u>		
2005				
Final 2004 – Ordinary shares	2.0c	981	11 October 2004	Franked
Interim 2005 – Ordinary shares	3.0c	1,472	4 March 2005	Franked
		<u>2,453</u>		

Franked dividends declared and paid during the year were franked at the tax rate of 30%.

All dividends declared pre June 2006 have been paid out of previous AGAAP profits. From June 2006 dividends declared will be paid out of AIFRS profits.

Subsequent events

Since the end of the financial year, the directors declared the following dividend:

Final – Ordinary shares	12.0c	7,184	11 October 2006	Franked
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The financial effect of these dividends have not been brought to account in the financial statements for the year ended 30 June 2006, and will be recognised in subsequent financial reports.

Notes to the consolidated financial statements (continued)

22. Capital and reserves (continued)

Dividend franking account

	The Company	
	2006	2005
	\$'000	\$'000
30% franking credits available to shareholders of Photon Group Limited for subsequent financial years	12,768	10,572

The above amounts represent the balance of the franking account at year end adjusted for:

- (1) franking credits that will arise from the payment of the current tax liability
- (2) franking debits that will arise from the payment of dividends recognised as a liability at year end
- (3) franking credits that will arise from the receipt of dividends recognised as receivables at year end
- (4) franking credits that may be prevented from being distributed in subsequent years

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

The impact on the dividend franking account of dividends proposed after the reporting date but not recognised as a liability is to reduce it by \$3,078,969 (2005: \$1,224,045).

In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of the dividend franking account.

23. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the consolidated entity's business. Derivative financial instruments are used to hedge exposure to fluctuations in interest rates.

Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial instruments, excluding investments, of the consolidated entity which have been recognised on the Balance Sheet, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentration of credit risk by undertaking transactions with a large number of customers.

Notes to the consolidated financial statements (continued)

23. Financial instruments (continued)

Interest rate risk

Hedging

The consolidated entity enters into interest rate swaps to manage cash flow risks associated with the interest rates on borrowings that are floating. The interest rate swap agreement allows the consolidated entity to swap floating rate borrowings to fixed rates. Maturity of the swap contracts occurs every three months with reset dates continuing for the duration of the swap contract. The contracts involve quarterly payment or receipt of the net amount of interest. Refer to note 18 for further information concerning interest rate swap agreements entered into by the consolidated group.

The consolidated entity classifies interest rate swaps as cash flow hedges and states them at fair value. At balance date the value of the swaps was reflective of fair value.

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out on the following page:

	Note	Weighted average interest rate	Floating interest rate \$'000	Fixed rate maturing in		More than 5 years \$'000	Non-interest bearing \$'000	Total \$'000
				1 year or less \$'000	1 to 5 years \$'000			
2006								
Financial assets								
Cash assets	8	4.01%	11,429	-	56	-	249	11,734
Receivables	9	-	-	-	-	-	37,742	37,742
Other financial assets	10	5.40%	-	-	94	-	-	94
			11,429	-	150	-	37,991	49,570
Financial liabilities								
Payables	17	7.22%	-	17,394	20,010	-	30,503	67,907
Bank loans	18	7.43%	-	-	58,542	-	-	58,542
Lease liabilities	18	7.48%	-	1,332	4,089	131	-	5,552
Employee benefits	19	5.35%	5,335	-	-	-	-	5,335
			5,335	18,726	82,641	131	30,503	137,336
2005								
Financial assets								
Cash assets	8	3.87%	9,432	315	-	-	41	9,788
Receivables	9	-	-	-	-	-	24,860	24,860
Other financial assets	10	5.25%	-	-	95	-	-	95
			9,432	315	95	-	24,901	34,743
Financial liabilities								
Payables	17	7.22%	-	10,432	9,676	-	22,545	42,653
Bank loans	18	7.33%	9,000	-	19,500	-	-	28,500
Lease liabilities	18	7.41%	-	824	1,535	130	-	2,489
Employee benefits	19	5.11%	3,685	-	-	-	-	3,685
			12,685	11,256	30,711	130	22,545	77,327

Notes to the consolidated financial statements (continued)

23. Financial instruments (continued)

Net fair values of assets and liabilities

The carrying value of all financial assets and liabilities of the consolidated entity approximated their net fair value.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Derivatives – hedges

For interest rate swaps the hypothetical derivative method of measuring effectiveness is used.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

Trade and other receivables/ payables

For receivables/ payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/ payables are discounted to determine the fair value.

Interest rates used for determining fair value

The entity uses the government yield curve as of 30 June 2006 plus an adequate constant credit spread to discount financial instruments.

Notes to the consolidated financial statements (continued)

24. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	Consolidated		The Company	
	2006	2005	2006	2005
Less than one year	4,794	3,042	1,224	-
Between one and five years	11,581	6,402	5,727	-
More than five years	198	908	-	-
	16,573	10,352	6,951	-

The consolidated entity leases property under non-cancellable operating leases expiring from two to ten years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on movements in the Consumer Price Index.

All operating leases are subject to a standard two to five year renewal terms with no purchase option or escalation clauses included.

During the year ended 30 June 2006, \$4,981,892 was recognised as an expense in the income statement in respect of operating leases (2005: \$3,536,407)

Notes to the consolidated financial statements (continued)

25. Contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities – not considered remote

Indemnities

Indemnities have been provided to directors and certain executive officers of the Company in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations still outstanding at 30 June 2006.

The Bailey Group have received income tax assessments relating to disallowed deductions with respect to amounts claimed for income tax purposes. The Bailey Group has objected to such income tax assessments. As part of the 'Bailey Share Purchase Agreement', the Bailey interests have indemnified The Bailey Group against any claim by the Australian Taxation Office (ATO) and to this end have placed cash funds amounting to \$4,500,000 in escrow pending settlement of this outstanding income tax matter. It is estimated that should The Bailey Group be unsuccessful in its objections the amount payable to the ATO as at 30 June 2006 is \$1,613,130. This amount is included in the statement of financial position as 'tax indemnity' included within other current assets with a corresponding amount recorded as a current tax liability in the statement of financial position.

Litigation

The litigation claim with respect to the lease agreement entered into by a subsidiary entity prior to 30 June 2005, as outlined in the 2005 Annual Report, Contingent Liabilities and Contingent Assets Note, was settled on 4 November 2005.

Notes to the consolidated financial statements (continued)

26. Controlled entities

Particulars in relation to controlled entities:

Name

Parent entity

Photon Group Limited

Controlled entities

AdPartners Group Pty Limited

Australian Business Theatre Group Pty Limited

The Artel Group Pty Limited

Brass Tacks Pty Limited

Barimos Pty Limited

CPR Communications and Public Relations Pty Limited ("CPR")

IDEAssociates Pty Limited

ImageBox Group Pty Limited

Love Pty Limited

The Precinct Group Pty Limited

Returnity Pty Limited

Robbins Brandt Richter Limited (i)

Australian Research Group Pty Limited

Precinct Ltd (ii)

The Artel Group Marketing Services Pty Limited

Kolorart Graphics Pty Limited

POP Productions Pty Limited

The Bailey Group Pty Limited

Powerforce Total Merchandising Pty Limited

Retail * Facts Pty Limited

The Leading Edge Market Research Consultants Pty Limited

The Leading Edge Market Research Consultants Limited (iii)

The Leading Edge Market Research Consultants Pte Limited (iv)

ONAT Holdings Pty Limited

Orchard National Pty Limited

Orchard National (Southern) Pty Limited

Brand Impact Pty Limited

Legion Interactive Holdings Pty Limited

Legion Interactive Pty Limited

Blue Sky Frog Pty Limited

Legion Interactive (NZ) Pty Limited (i)

Capital Policies and Trade Pty Limited

Kinetics Pty Limited

Kaleidoscope Marketing Services Pty Limited

Republicorp Pty Limited

Counterpoint Marketing & Sales Pty Limited

Media Zoo Pty Limited

SEE Life Differently Holdings Pty Limited

SEE Life Differently Pty Limited

Creo Limited (i)

Demonstration Plus Pty Limited

Demonstration Plus (NZ) Pty Limited (i)

	Ordinary Share Consolidated Entity Interest	
	2006 %	2005 %
<i>Parent entity</i>		
Photon Group Limited		
<i>Controlled entities</i>		
AdPartners Group Pty Limited	100	100
Australian Business Theatre Group Pty Limited	100	100
The Artel Group Pty Limited	60	60
Brass Tacks Pty Limited	100	100
Barimos Pty Limited	100	100
CPR Communications and Public Relations Pty Limited ("CPR")	100	100
IDEAssociates Pty Limited	100	100
ImageBox Group Pty Limited	51	51
Love Pty Limited	100	100
The Precinct Group Pty Limited	95.75	95.75
Returnity Pty Limited	100	100
Robbins Brandt Richter Limited (i)	100	100
Australian Research Group Pty Limited	100	100
Precinct Ltd (ii)	95.75	95.75
The Artel Group Marketing Services Pty Limited	60	60
Kolorart Graphics Pty Limited	60	60
POP Productions Pty Limited	60	60
The Bailey Group Pty Limited	100	100
Powerforce Total Merchandising Pty Limited	100	100
Retail * Facts Pty Limited	100	100
The Leading Edge Market Research Consultants Pty Limited	100	100
The Leading Edge Market Research Consultants Limited (iii)	100	100
The Leading Edge Market Research Consultants Pte Limited (iv)	100	100
ONAT Holdings Pty Limited	100	100
Orchard National Pty Limited	100	100
Orchard National (Southern) Pty Limited	100	100
Brand Impact Pty Limited	100	100
Legion Interactive Holdings Pty Limited	100	100
Legion Interactive Pty Limited	100	100
Blue Sky Frog Pty Limited	100	100
Legion Interactive (NZ) Pty Limited (i)	100	100
Capital Policies and Trade Pty Limited	58	58
Kinetics Pty Limited	100	100
Kaleidoscope Marketing Services Pty Limited	100	-
Republicorp Pty Limited	100	-
Counterpoint Marketing & Sales Pty Limited	100	-
Media Zoo Pty Limited	50.1	-
SEE Life Differently Holdings Pty Limited	100	-
SEE Life Differently Pty Limited	100	-
Creo Limited (i)	100	-
Demonstration Plus Pty Limited	100	-
Demonstration Plus (NZ) Pty Limited (i)	100	-

(i) Companies incorporated and carrying on a business in New Zealand

(ii) Companies incorporated and carrying on a business in Hong Kong

(iii) The Leading Edge Market Research Consultants Limited was incorporated in the United Kingdom and is a dormant company

(iv) The Leading Edge Market Research Consultants Pte Limited was incorporated and carries on a business in Singapore.

Notes to the consolidated financial statements (continued)

26. Controlled entities (continued)

On 25 October 2005 the Company issued 589,830 ordinary shares to the vendors of The Leading Edge Market Research Consultants Pty Limited (The Leading Edge) which was approved by shareholders at the Company's Annual General Meeting. These shares were issued in place of deferred cash consideration resulting from the amendment to the acquisition agreement which allows for up to 50% of the deferred cash payments to be paid by the issue of Photon shares in 2005 and 2006, at the election of the vendors. These shares rank equally with existing ordinary shares with the exception that the vendors have voluntarily elected to have these issued shares placed in escrow for a period of 12 months from the date of issue.

On 14 October 2005 the company issued 1,333,333 ordinary shares to the vendors of Counterpoint Marketing & Sales Pty Limited as part payment of the purchase price. These shares rank equally with existing ordinary shares on issue.

On 21 February 2006 the company issued 200,000 ordinary shares to the vendors of SEE Life Differently Holdings Pty Limited as part payment of the purchase price. These shares rank equally with existing ordinary shares on issue.

On 4 May 2006 the company issued 122,127 ordinary shares to the vendors of Demonstration Plus Pty Limited as part payment of the purchase price. These shares rank equally with existing ordinary shares on issue.

27. Acquisitions of subsidiaries

The following controlled entities were acquired or disposed of during the financial year.

Acquisition of entities

During the financial year the consolidated entity purchased the percentage voting shares in the following entities:

	Acquisition date	% voting shares acquired	Business activities
Kaleidoscope Marketing Services Pty Limited	29 July 2005	100	Point of sale, incentive and loyalty programs, and integrated marketing communications
Republicorp Pty Limited	13 August 2005	100	Managed document generation and investor relations
Counterpoint Marketing & Sales Pty Limited	14 October 2005	100	Sales and merchandising
Media Zoo Pty Limited	16 August 2005	50.1	Digital strategies, interactive marketing and web based solutions
SEE Life Differently Holdings Pty Limited	21 February 2006	100	Brand strategy
Creo Limited	1 April 2006	100	Public affairs and marketing communications
Demonstration Plus Pty Limited	4 May 2006	100	Field marketing
Demonstration Plus (NZ) Pty Limited	4 May 2006	100	Field marketing

The above acquisitions cumulatively contributed \$3,100,000 to net profit after tax of the consolidated entity for the 2006 financial year.

It is impracticable to determine the effect that the Counterpoint Marketing and Sales Pty Limited, Demonstration Plus Pty Limited and Demonstration Plus (NZ) Pty Limited effect the acquisitions would have had on the group had they been acquired on 1 July 2005 due to the substantial changes made to the acquired entities following their acquisition and the availability of information prior to acquisition by Photon Group Limited. The full year net profit after tax effect of SEE Life Differently Holdings Pty Limited had it been acquired on 1 July 2005 would have been \$1,300,000. The full year effect of the acquisition of Kaleidoscope Marketing Services Pty Limited, Republicorp Pty Limited and Media Zoo Pty Limited are not material to the results of the consolidated group.

27. Acquisitions of subsidiaries (continued)

Effect of acquisitions

The acquisitions had the following effect on the consolidated entity's assets and liabilities.

Acquiree's net assets at the acquisition date

In thousands of AUD

	Recognised Values	Fair value adjustments	Carrying amounts
Property, plant and equipment	1,454	-	1,454
Intangible assets	12,620	-	12,620
Trade and other receivables	4,345	-	4,345
Cash and cash equivalents	4,131	-	4,131
Work in progress	313	-	313
Deferred tax asset	477	-	477
Other assets	367	-	367
Trade and other payables	(4,097)	-	(4,097)
Interest bearing liabilities	(121)	-	(121)
Deferred tax liability	(964)	-	(964)
Provisions	(1,148)	-	(1,148)
Other liabilities	(2,572)	-	(2,572)
Net identifiable assets and liabilities	14,805	-	14,805
Minority interest	10		
Goodwill and identifiable intangibles on acquisition	33,450	1,487	34,937
Total consideration	48,265		
Consideration paid, satisfied in scrip	(5,236)		
Deferred consideration	(20,731)		
Cash (acquired)	(4,149)		
Net cash outflow	18,149		

Goodwill has arisen on the acquisition of entities during the year as some intangibles such as key management and technical employee relationships, market share and some customer relationships, did not meet the criteria for recognition as an intangible asset at the date of acquisition. Additionally, due to the significant number of entities acquired during the period, the purchase price allocation for entities acquired in the latter half of the 2006 financial year has not been finalised at the date of this report. Accordingly, the assets and liabilities of the acquired entities have been included in the financial report based on provisional fair values.

Fair value adjustment in respect of goodwill relates to the deferred tax liability associated with contracts and customer relationships.

Notes to the consolidated financial statements (continued)

28. Associated entities

Interest in associated entities

Name	Principal Activity	Ownership Interest		Consolidated		Company	
		2006 %	2005 %	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Bellamyhayden Pty Limited	Media Strategy	40	40	470	421	667	667

Movements in carrying amount of associated entities

	2006 \$'000	2005 \$'000
Carrying amount at the beginning of the year	421	485
Share of associate entity profit – Bellamyhayden Pty Limited	216	171
Dividends received from associates	(167)	(235)
Carrying amount at the end of the year	470	421

Results of associated entities

The Company's and the consolidated entity's share of the associate entity results consists of:

	2006 \$'000	2005 \$'000
Revenue	1,534	1,186
Expenses	(1,211)	(942)
Profit from ordinary activities before income tax expense	323	244
Income tax expense	(107)	(73)
Net profit – accounted for using the equity method	216	171

Share of post-acquisition retained profits attributable to associated entities

	2006 \$'000	2005 \$'000
Share of associate entity's retained profits at beginning of year	122	178
Share of associate entity's net profit	216	171
Adjustment resulting from prior year company buy-back	-	7
Dividends from associate	(167)	(234)
Share of associate entity's retained profits at end of year	171	122

Commitments

The associated entity has not entered into any operating lease commitments.

29. Reconciliation of cash flows from operating activities

In thousands of AUD

(i) **Reconciliation of cash**

For the purpose of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash assets	8	11,281	9,788	2,291	2,046
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(ii) **Reconciliation of profit/ (loss) from after income tax to net cash provided by operating activities**

	Note	Consolidated		The Company	
		2006	2005	2006	2005
Profit/ (loss) after income tax		12,656	8,703	17,578	(3,271)
Add/ (less) items classified as investing/financing:					
(Profit)/ loss on sale of non-current assets		57	(23)	-	-
Options expensed		399	214	399	214
Add/ (less) non-cash items:					
Depreciation and amortisation		4,889	2,015	482	19
Amortisation of lease incentive provision and lease make good asset		(285)	184	(285)	-
Share of (profits)/ losses of associated entities		(216)	85	-	-
Present value interest charges with respect to the deferred consideration of acquisitions		1,384	924	1,145	832
Increase/ (decrease) in income taxes payable		535	(929)	900	2,552
Increase/ (decrease) in deferred tax liabilities		795	690	-	638
(Increase)/ decrease in deferred tax assets		(687)	(664)	93	(1,434)
Net cash provided by operating activities before change in assets and liabilities		19,527	11,199	20,312	(450)
Changes in assets and liabilities adjusted for the effects of purchase and disposal of controlled entities during the financial year:					
(Increase)/ decrease in receivables		(8,598)	243	(949)	511
(Increase)/ decrease in work in progress		(996)	(1,671)	-	-
(Increase)/ decrease in prepayments		(365)	(355)	(153)	(21)
(Increase)/ decrease in other assets		(73)	195	(27)	(113)
Increase/ (decrease) in payables		2,511	684	1,142	(474)
Increase / (decrease) in deferred income		(1,162)	2,450	-	-
Increase/ (decrease) in provisions		1,346	352	215	-
Increase/ (decrease) in related party current accounts		-	-	(2,766)	-
		12,190	13,097	17,774	(547)

Notes to the consolidated financial statements (continued)

30. Non-key management personnel disclosures

Other related party transactions

All transactions with related parties are on normal terms and conditions. There were no related party transactions which affected the consolidated entity.

	The Company	
	2006	2005
	\$'000	\$'000
The aggregate amounts included in the profit before income tax expense that resulted from transactions with related parties are:		
Interest revenue		
Partly-owned controlled entities	15	53
Dividend revenue		
Wholly-owned controlled entities	22,920	-
Partly-owned controlled entities	269	273
Management fees		
Wholly-owned controlled entities	255	-
Partly-owned controlled entities	30	150
Current accounts advanced to		
Partly-owned controlled entities	70	141
Wholly owned entities	9,228	5,466
Receivables		
Aggregate amounts receivable from related parties including trade debtors		
Wholly-owned controlled entities	561	11
Partly-owned controlled	60	97
Payables		
Aggregate amounts payable to related parties other than trade creditors		
Wholly-owned controlled entities	6,699	16,050

Percentage of equity interests

Details of equity interests held in classes of related parties are set out as follows:

Controlled entities	Note 26
Associated entities	Note 13

Notes to the consolidated financial statements (continued)

31. Subsequent events

Acquisition of wholly-owned entities

Subsequent to balance date, the Company acquired 100% of the issued share capital of:

- Jigsaw Strategic Research Pty Limited (Jigsaw), a research based consultancy company. The purchase price comprised of an upfront cash payment to be funded using existing debt facilities. In addition, deferred consideration tied to the earnings of Jigsaw through to 30 June 2009 is payable each year by September 2009.
- Ausrep Pty Limited (Ausrep), a sales and merchandising company. The purchase price comprised of an upfront cash payment and the issue of 400,000 ordinary Photon shares. In addition, deferred consideration tied to the earnings of Ausrep through to 30 June 2009 is payable each year by September 2009.

Acquisition of partly-owned entities

Subsequent to balance date, the Company acquired,

- 90% of the issued share capital of iMega Pty Limited (iMega), an online performance-based marketing company. The purchase price was \$7,570,000 cash and the issue of 101,415 ordinary Photon shares at \$4.24 per share. In addition, deferred consideration tied to the earnings of iMega through to 31 March 2009 is payable each year by 31 July 2009.
- An agreement was entered into to acquire 51% of the issued capital of Belgiovane William Mackay (BWM), an advertising agency. The initial purchase price comprises the issue of 1,262,857 ordinary Photon shares and an upfront cash payment of \$7,282,800 with the vendors retaining the option to put the remaining 49% of the company to Photon up to 31 July 2012 on certain terms.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2006.

Dividends

For dividends declared after 30 June 2006, see note 22.

32. Explanation of transition to AIFRSs

As stated in significant accounting policies note (a), these are the consolidated entity's first consolidated financial statements prepared in accordance with AIFRSs.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, the consolidated entity and the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's, and the company's, financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes to the consolidated financial statements (continued)

32. Explanation of transition to AIFRSs (continued)

Reconciliation of equity

		Consolidated						The Company					
		Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs
<i>In thousands of AUD</i>		1 July 2004			30 June 2005			1 July 2004			30 June 2005		
<i>Note</i>													
Assets													
Cash and cash equivalents		5,994	-	5,994	9,788	-	9,788	867	-	867	2,046	-	2,046
Trade and other receivables		13,866	-	13,866	24,841	-	24,841	686	-	686	131	-	131
Other assets		1,571	-	1,571	4,586	-	4,586	71	-	71	71	-	71
Total current assets		21,431	-	21,431	39,215	-	39,215	1,624	-	1,624	2,248	-	2,248
Receivables	(e), (h)	-	-	-	19	-	19	4,704	(275)	4,429	4,756	851	5,607
Other financial assets		179	-	179	95	-	95	69,513	-	69,513	127,400	-	127,400
Investments accounted for using the equity method		485	-	485	421	-	421	-	-	-	667	-	667
Deferred tax assets	(e)	888	21	909	2,210	150	2,360	681	19	700	2,244	(1,741)	503
Property, plant and equipment		2,772	-	2,772	6,145	-	6,145	19	-	19	43	-	43
Other assets	(b)	236	341	577	527	437	964	113	-	113	291	-	291
Intangible assets	(a)	67,733	-	67,733	116,202	5,584	121,786	-	-	-	-	-	-
Total non-current assets		72,293	362	72,655	125,619	6,171	131,790	75,030	(256)	74,774	135,401	(890)	134,511
Total assets		93,724	362	94,086	164,834	6,171	171,005	76,654	(256)	76,398	137,649	(890)	136,759

Notes to the consolidated financial statements (continued)

32. Explanation of transition to AIFRSs (continued)

Reconciliation of equity (continued)

		Consolidated						The Company					
		Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs
<i>In thousands of AUD</i>	<i>Note</i>	1 July 2004			30 June 2005			1 July 2004			30 June 2005		
Liabilities													
Trade and other payables		12,450	-	12,450	32,977	-	32,977	4,281	-	4,281	25,787	-	25,787
Interest-bearing loans and borrowings		2,498	-	2,498	824	-	824	2,000	-	2,000	-	-	-
Employee benefits		1,624	-	1,624	3,049	-	3,049	-	-	-	16	-	16
Income tax payable	(b), (e)	3,059	19	3,078	2,844	151	2,995	280	19	299	2,654	149	2,803
Provisions		117	-	117	114	-	114	14	-	14	-	-	-
Total current liabilities		19,748	19	19,767	39,808	151	39,959	6,575	19	6,594	28,457	149	28,606
Non-current liabilities													
Trade and other payables		-	-	-	9,676	-	9,676	-	-	-	7,128	-	7,128
Interest-bearing loans and borrowings		12,468	-	12,468	30,165	-	30,165	12,000	-	12,000	28,500	-	28,500
Deferred tax liabilities	(a), (e)	113	-	113	803	675	1,478	126	-	126	764	(764)	-
Employee benefits		246	-	246	636	-	636	-	-	-	6	-	6
Provisions	(b)	-	409	409	376	609	985	8	-	8	-	-	-
Total non-current liabilities		12,827	409	13,236	41,656	1,284	42,940	12,134	-	12,134	36,398	(764)	35,634
Total liabilities		32,575	428	33,003	81,464	1,435	82,899	18,709	19	18,728	64,855	(615)	64,240
Net assets		61,149	(66)	61,083	83,370	4,736	88,106	57,945	(275)	57,670	72,794	(275)	72,519
Equity													
Issued capital	(d), (f)	62,190	37	62,227	82,240	307	82,547	62,190	37	62,227	82,240	307	82,547
Reserves	(c), (d)	10	-	10	9	251	260	-	-	-	-	251	251
Retained earnings		(4,308)	(101)	(4,409)	(2,188)	4,030	1,842	(4,245)	(312)	(4,557)	(9,446)	(833)	(10,279)
Total equity attributable to equity holders of the parent		57,892	(64)	57,828	80,061	4,588	84,649	57,945	(275)	57,670	72,794	(275)	72,519
Minority interest		3,257	(2)	3,255	3,309	148	3,457	-	-	-	-	-	-
Total equity		61,149	(66)	61,083	83,370	4,736	88,106	57,945	(275)	57,670	72,794	(275)	72,519

Notes to the consolidated financial statements (continued)

32. Explanation of transition to AIFRSs (continued)

Notes to the reconciliation of equity

The impact on deferred tax of the adjustments described below is set out in note (e).

(a) Business combinations, intangible assets and impairment

The consolidated entity has applied AASB 3 to all business combinations that have occurred since 1 July 2004, the date of transition to AIFRS's. Additionally, from 1 July 2004, goodwill is no longer amortised under AIFRSs, but is tested annually for impairment.

As a result of the above there is no change to the carrying amount of *Goodwill* at 1 July 2004. The Goodwill amortisation charge (presented within *Depreciation and amortisation expense*) was written-back by \$4,908,527 for the year ended 30 June 2005.

As a result of the application of AASB 3, the consolidated entity has recognised a deferred tax liability of \$675,000 with a corresponding increase in goodwill associated with the tax effect of customer contracts and customer relationships.

There is no effect on the Company.

(b) Leased assets

Under previous AGAAP, the cost of lease make good was not recognised until the expenditure was incurred, however, under AIFRS make good costs must be recognised over the lease period.

The effect in the consolidated entity is to increase *Provisions for Make Good* by \$408,949 at 1 July 2004, and by an additional \$199,002 at 30 June 2005 along with corresponding increases in non current assets. The amount of this asset amortised to the income statement was \$103,513 for the year ended 30 June 2005 representing the amount that corresponds to the expired portion of the leases at that date. This results in an increase in *Occupancy Costs*, and at the tax effective rate, an increase in income tax payable.

There is no effect on the Company.

(c) Foreign currency

Translation differences that arose prior to the date of transition to AIFRSs in respect of all foreign entities have been presented as a separate component of equity. On disposal of any foreign operation, the related cumulative translation difference will be transferred to the income statement as part of the gain or loss on disposal. The option available under AIFRS to restate the existing foreign currency reserve balance to nil has not been utilised.

There is no effect on the Company.

(d) Employee benefits

The consolidated entity applied AASB 2 to its equity based compensation arrangements at 1 July 2004 except for equity-settled share-based payment arrangements granted before 7 November 2002.

Under previous AGAAP, the consolidated entity did not account for equity based compensation arrangements. Such payments are now recognised at fair value in accordance with AASB 2.

The adoption of AASB 2 is equity-neutral for equity-settled transactions. The expense recognised for the consumption of employee services received as consideration for share options granted will be deductible for tax purposes when the share options are exercised.

The effect in the consolidated entity of accounting for share based payments at fair value is to increase *Employee expenses* by \$36,740 at 1 July 2004, and by \$214,282 for the year ended 30 June 2005, with an identical impact in the Company. There was also a corresponding increase in the option reserve in both the company and the consolidated entity.

Notes to the consolidated financial statements (continued)

32. Explanation of transition to AIFRSs (continued)

(e) Deferred tax asset

The AIFRS transition changes increased the deferred tax asset in the consolidated entity as follows based on tax rate of 30%:

<i>In thousands of AUD</i>	1 July 2004	30 June 2005
Make good provisions	21	75
Employee benefits	-	75
Increase in deferred tax asset	21	150

The above changes in relation to Employee benefits also impacts the deferred tax asset in the Company. The deferred tax asset and liability in the company is also adjusted for the deferred tax amounts which for accounting purposes relate to group entities. Deferred tax losses relating to group entities remain in the Company. Refer to (h) for further explanation.

(f) Equity transactions

Under previous AGAAP, tax deductions in respect of transaction costs associated with the raising of share capital were accounted for within income tax expense. Under AIFRS, tax deductions associated with transaction costs is accounted for within issued capital. The effect of this was to increase share capital by \$307,399 for the year ended 30 June 2005 in both the consolidated entity and the Company.

(g) The effect of the AIFRS adjustments on equity is as follows:

<i>In thousands of AUD</i>	1 July 2004	30 June 2005
Goodwill (net of OEI)	-	4,751
Amortisation of provisions (net of OEI)	(64)	(163)
Total adjustment to equity attributable to parent entity	(64)	4,588
Total equity:		
Equity holders of the parent	(64)	4,588
Minority interest	(2)	148
	(66)	4,736

(h) Tax consolidation

The consolidated entity had applied UIG 52 for tax consolidation purposes under previous GAAP, resulting in the Company as the head entity of the tax consolidated group recognising both current and deferred tax in relation to the wholly-owned subsidiaries in the tax-consolidated group.

Under AIFRS, the consolidated entity has adopted UIG 1052 which requires the subsidiaries to initially recognise both current and deferred taxes before recognising the head entity's assumption of the current tax liability (asset) and deferred tax assets from tax losses. Under AIFRS the subsidiaries are now required to recognise deferred tax assets relating to temporary differences, other than for tax losses.

Under previous GAAP, the tax funding arrangements assets and liabilities were recognised as inter-entity tax-related balances whereas tax funding arrangements expenses and revenues were recognised as a component of income tax expense or revenue.

Upon adoption of UIG 1052 under AIFRS, all tax funding arrangements amounts are recognised as inter-entity amounts, giving rise to a contribution by or distribution to equity participants to the extent they differ from the amounts assumed by the head entity from subsidiaries. The entities in the Australian tax-consolidated group have revised the tax funding arrangement to address only current tax amounts and deferred tax assets from tax losses/credits so that no net contributions or distributions to equity participants are expected to arise in the future. The impact of which is as outlined in (e) above.

For the consolidated entity, the impact of moving from UIG 52 to UIG 1052 is the same as the impact of moving to AASB 112. There is nil impact on the consolidated entity from the tax funding arrangement changes as upon consolidation the inter-company balances are eliminated.

Notes to the consolidated financial statements (continued)

32. Explanation of transition to AIFRSs (continued)

Reconciliation of profit for 2005

<i>In thousands of AUD</i>	<i>Note</i>	Previous GAAP	Consolidated Effect of Transition to AIFRSs	AIFRSs	Previous GAAP	The Company Effect of Transition to AIFRSs	AIFRSs
Gross revenue	(i)	-	107,029	107,029	-	-	-
Cost of goods sold	(i)	-	(26,635)	(26,635)	-	-	-
Revenue		80,394	-	80,394	162	-	162
Other income		561	-	561	378	-	378
Total Revenue		80,955	-	80,955	540	-	540
Employee expenses	(d)	(49,512)	(214)	(49,726)	(852)	(214)	(1,066)
Occupancy costs	(b)	(3,558)	(104)	(3,662)	(59)	-	(59)
Depreciation and amortisation expense	(a)	(7,088)	4,909	(2,179)	(19)	-	(19)
Insurance expense		(489)	-	(489)	(9)	-	(9)
Consultancy fees		(1,915)	-	(1,915)	(569)	-	(569)
Equipment hire charges		(582)	-	(582)	-	-	-
Travel expenses		(1,188)	-	(1,188)	(104)	-	(104)
Communication expenses		(1,529)	-	(1,529)	(22)	-	(22)
Other operating expenses		(3,802)	-	(3,802)	(513)	-	(513)
Operating profit/(loss) before financing costs		11,292	4,591	15,883	(1,607)	(214)	(1,821)
Finance costs		(3,219)	-	(3,219)	(3,037)	-	(3,037)
Finance costs		(3,219)	-	(3,219)	(3,037)	-	(3,037)
Share of profit of associates		171	-	171	-	-	-
Profit / (loss) before tax		8,244	4,591	12,835	(4,644)	(214)	(4,858)
Income tax expense / (benefit)	(e), (f)	(3,910)	(307)	(4,217)	1,895	(308)	1,587
Profit / (loss) for the period		4,334	4,284	8,618	(2,749)	(522)	(3,271)
Attributable to:							
Equity holders of the parent		4,571	4,132	8,703	(2,749)	(522)	(3,271)
Minority interest		(237)	152	(85)			
Profit for the period		4,334	4,284	8,618			
Basic EPS from continuing operations (AUD cents)		9.16	8.28	17.44			
Diluted EPS from continuing operations (AUD cents)		9.00	8.13	17.13			

Notes to the consolidated financial statements (continued)

32. Explanation of transition to AIFRSs (continued)

(i) Disclosure of sales revenue

Under previous GAAP, revenue associated with some entities within the Group was recognised net of directly attributable cost of sales. In accordance with AASB 118, these revenue streams are recognised on a gross basis as some entities with the Group are acting as principals in revenue transactions.

(j) Explanation of material adjustments to the cash flow statement for 2005

There were no material differences between the cash flow statement presented under AIFRSs and the cash flow statement presented under previous GAAP.

Directors' declaration

I In the opinion of the directors of Photon Group Limited ("the Company"):

- (a) the financial statements and notes and the remuneration disclosures that are contained in section (f) of the Remuneration report in the Directors report, set out on pages 23 to 82, 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 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the remuneration disclosures that are contained in section f of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures
- (c) 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 The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2006 pursuant to Section 295A of the Corporations Act 2001.

Dated at Sydney this 23rd day of August 2006.

Signed in accordance with a resolution of the directors:



Tim Hughes
Director



Independent audit report to members of Photon Group Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the income statements, statements of changes in equity, balance sheets, statements of cash flows, accompanying notes 1 to 32 to the financial statements and the directors' declaration set out on pages 23 to 83 for both Photon Group Limited (the "Company") and Photon Group Limited and its Controlled Entities (the "Consolidated Entity"), for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" on pages 16 to 22 of the directors' report and not in the financial report.

The Remuneration report also contains information on pages 16 to 22 not required by Australian Accounting Standard AASB 124 which is not subject to our audit.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standard*. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and that the remuneration disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124.



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

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

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

Audit opinion

In our opinion:

- (1) the financial report of Photon Group Limited is in accordance with:
 - a) the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and;
 - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b) other mandatory financial reporting requirements in Australia; and
- (2) the remuneration disclosures that are contained on pages 16 to 22 of the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

John Wigglesworth
Partner

Sydney
23 August 2006

