THE SWISH GROUP LIMITED

ABN 93 085 545 973

AND CONTROLLED ENTITIES

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2006

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THE SWISH GROUP LIMITED
MANAGING DIRECTOR'S LETTER

Dear Shareholder,

I have pleasure in enclosing the Annual Report for The Swish Group Limited (**"Swish Group"**) and its controlled entities for the financial year ended 30 June 2006.

During the financial year the Company continued to develop its digital media businesses, both through organic growth and by acquisition. The Directors continue to believe that digital signage and digital video on demand (television delivered over the Internet), will be two of the fastest growing industry sectors in the next few years and that this will provide Swish Group with significant opportunities. The Directors believe that Swish Group is ideally positioned to benefit from these developments given its expertise, infrastructure and foothold in its chosen markets.

Commercialisation of the Company's digital signage and digital video on demand businesses is continuing and the Company is expecting to grow these businesses significantly in the 2007 financial year as these and the other businesses it acquired during the past financial year become mature.

The Company has two principal divisions.

- Digital Signage (Out of Home Television/Electronic Billboards) – Provides specially produced audio visual entertainment, information and advertising programmes for retail outlets, medical centres, hospitals, fitness centres and other public venues.

- Digital Video on Demand – Provides digital video on demand , high speed internet and digital information services for hotels, apartments and other multi unit developments.

The Company has also established or expanded its expertise in the areas required to support these businesses. Its digital production division produces all of the Company's digital signage programmes and provides digital production services to the film, television and advertising industries. (Recently acquired the Black Cat Group of Companies). Its advertising sales division sells advertising onto the Company's digital signage networks and provides advertising sales services to a range of other media properties. (Recently acquired the Ambient Advertising media sales business.). Its digital equipment supply business supplies hardware for the digital signage and digital video on demand networks. (Recently entered into a joint venture and is the preferred equipment supplier for television screens and monitors to Tabcorp's TAB agency network.)

The Company also recently acquired a 51% interests in Amphead Entertainment, a rapidly growing digital music download business which adds to its production and content business and Torque Communications a sales and call centre business to improve its sales capacity

The Group had revenues of $5.1 million ($ 2.5 million : 2005) up 105% on the 2005 financial year and an EBITDA loss of $1.8 million. The Company also incurred a one off loss of $1.2 million as a result of writing off all of the Company's capitalised research and development expenditure.

I, along with my fellow Directors, would like to thank you for your support over the past year and look forward to your continued support as we begin to receive the returns from the businesses that have been developed.

Yours faithfully,

Cary P. Stynes
Managing Director

THE SWISH GROUP LIMITED
CORPORATE DIRECTORY

DIRECTORS

Cary Peter Stynes (Managing Director)
Peter Kenneth Crafter (Finance Director)
Stephen Layton (Non Executive Director)
William Graham (Non Executive Director)

COMPANY SECRETARY

Peter Kenneth Crafter

REGISTERED OFFICE

170 Dorcas Street
SOUTH MELBOURNE VIC 3205

SYDNEY OFFICE

Suite 34 Jones Bay Wharf
19-21 Pirrama Rd
PYRMONT NSW 2009

LAWYERS

Gadens Lawyers
Level 25
600 Bourke Street
MELBOURNE VIC 3000

AUDITORS

Pitcher Partners
Level 19
15 William Street
MELBOURNE VIC 3000

BANKERS

National Australia Bank Limited
67 Ashley Street
WEST FOOTSCRAY VIC 3012

SHARE REGISTRY

Computershare Registry Services
GPO Box 242
MELBOURNE VIC 3001

Tel: 1300 137 328

STOCK EXCHANGE LISTING

The Swish Group Limited's ordinary shares are quoted on the Australian Stock Exchange Limited.
(Stock Code: SWG).

STATE OF INCORPORATION

Victoria

The Directors present their report together with the financial report of the consolidated entity consisting of The Swish Group Limited and the entities it controlled, for the financial year ended 30 June 2006 and independent auditor's report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The qualifications, experience and special responsibilities of each person who has been a Director of The Swish Group Limited, together with details of the Company Secretary, during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Name	Particulars
Mr. Cary Peter Stynes LL.B (Melb), MAICD	Managing Director Appointed 14 January 2003 Mr. Stynes spent six years in senior finance and management roles with a number of international hotel organisations. He spent five years as a commercial lawyer with international law firm Minter Ellison specialising in commercial litigation, insolvency, media, tourism, mergers and acquisition and corporate advisory work. In 1993 he co-founded Point of Sale Media Pty Ltd, which was subsequently acquired in 1995 by ASX-listed Media Entertainment Group Limited. He was appointed to the board of Media Entertainment Group Limited in September 1995 and was Managing Director from July 1997 until June 1999. He is a former Managing Director of ASX listed Software Communication Group Limited and CBD Energy Limited. He was appointed Managing Director of The Swish Group Limited in January 2003. Mr. Stynes is also a Non Executive Director of ASX-listed Traffic Technologies Limited as well as a director of a number of private companies.
Mr. Peter Kenneth Crafter LL.B (Hons), MBA, FCA, CA, MCT, FAICD, FCIS	Finance Director and Company Secretary Appointed 14 January 2003 Mr. Crafter is a Chartered Accountant in both Australia and the UK and qualified Corporate Treasurer with extensive experience in financial management including several years with KPMG and Touche Ross in the United Kingdom. He holds an honours degree in Law from the University of London and an MBA from Heriot-Watt University, Scotland. He migrated to Australia in February 1999 and joined Software Communication Group Limited as Chief Financial Officer in May 1999. He was Chief Executive Officer of that Company from July 2001 to June 2002. He was Chief Financial Officer of ASX-listed CBD Energy Limited from July 2002 to July 2003. He was appointed Finance Director of The Swish Group Limited in January 2003. He is also Company Secretary of ASX-listed Traffic Technologies Limited and Chief Financial Officer of Purity Australia Limited. .
Mr. Stephen Layton	Non Executive Director Appointed 16 January 2004 Mr. Layton has 25 years experience as a stockbroker in the UK and Australia. He became a member of the London Stock Exchange in 1985. He has experience in a number of stockbroking firms including Peake Lands Kirwan Pty Ltd, Bain Securities Ltd, Austock Brokers Pty Ltd and Terrain Securities Pty Ltd. He is currently a Director of Melbourne Capital Limited, which is a boutique corporate advisory group. He has been involved in numerous capital raisings in his capacity as a stockbroker. He advises on initial public offerings, seed and secondary market capital raisings, mergers and acquisitions and project and financial valuations. He was appointed a non-executive Director of The Swish Group Limited in January 2005.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (Continued)

Mr. William Gerard Graham	Non Executive Director Appointed 21 March 2006 Mr. Graham has an extensive background in accounting and business having founded, developed and subsequently sold technology company NJS Technology Limited. NJS Technology which was established in 1990 held the Intel licence for Australia and at its peak had annual turnover in excess of $60 million. The Company was sold in 1995. Mr. Graham is one of Australia's largest and most respected bookmakers having been involved in the racing industry for almost 40 years. Mr. Graham has been a Non Executive Director of ASX-listed Betcorp Limited since January 2003 as well as a director of a range of private companies.

Directors' Meetings

The number of meetings of the Board of Directors held during the financial year and the number of meetings attended by each Director (while they were a Director) were as follows:

	Meetings	
Director	Eligible to Attend	Attended
Mr. Cary Stynes	11	11
Mr. Peter Crafter	11	11
Mr. Stephen Layton	11	11
Mr. William Graham	2	2

Board Committees

During the financial year and as at the date of this report, the Company did not have separately established nomination, audit or remuneration committees (refer Corporate Governance Statement below).

Directors' Interests in Shares and Options of the Company

As at the date of this report, the interests of the Directors in the shares and options of the Company were:

Director	Fully Paid Ordinary Shares	Options
Mr. Cary Peter Stynes	70,765,700[1]	-
Mr. Peter Kenneth Crafter	70,520,000[2]	-
Mr. Stephen Layton	71,642,664[3]	-
Mr. William Graham	27,346,840	-

1. Through a 47.5% interest in Media Entertainment Pty Ltd. In addition , 345,700 shares are held through an interest in CPS Holdings Pty Ltd
2. Through a 5% interest in Media Entertainment Pty Ltd.
3. Through a 47.5% interest in Media Entertainment Pty Ltd. In addition, 1,122,664 shares are held through an interest in Bodie Investments Pty Ltd.

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in Note 27 to the financial statements.

EARNINGS PER SHARE

	Cents
Basic earnings per share	(1.0)
Diluted earnings per share	(0.9)

DIVIDENDS, PAID, RECOMMENDED AND DECLARED

No dividends were paid, declared or recommended since the start of the financial year ended 30 June 2006.

CORPORATE INFORMATION

Corporate structure

The Swish Group Limited is a company limited by shares that is incorporated and domiciled in Australia and listed on ASX. The Swish Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. The Company's subsidiary entities are set out in Note 10 to the financial statements.

Nature of operations and principal activities

The consolidated entity's principal activities in the course of the financial year were in the area of digital media, including digital signage/location television, hotel digital video on demand and high speed internet access, film and television production and post production, advertising sales and equipment supply. There has been no significant change in the nature of these activities during the financial year.

Employees

The consolidated entity employed 14 employees as at 30 June 2006 (2005: 21 employees).

OPERATING AND FINANCIAL REVIEW

Group overview

Swish Group was formed in 1998 and listed on ASX in June 1999. A new Board and management team were appointed in January 2003 and the Company was restructured and recapitalised and its shares re-quoted on ASX in May 2003. Swish Group is a digital media company operating in the rapidly growing areas of Digital Signage/Location Television and Digital Video on Demand. The Company also has the ability to deliver the necessary ancillary services for these businesses including digital production and content supply, advertising sales and equipment supply.

Review of operations

A review of the operations of the consolidated entity during the financial year and the results of those operations are as follows:

Digital signage

Swish Digital Signage provides audio visual entertainment, information and advertising to consumers in venues including medical centres, hospitals, pharmacies, health and fitness venues and public areas throughout Australia and is able to provide digital signage networks to retail stores and other public spaces. Swish Group owns and operates the Good Health Television, Pharmacy TV and Gymvision networks in approximately 3000 locations.

Digital Video on Demand

Swish Interactive has developed a digital video on demand ,communication and services network for hotels, apartment buildings, hospitals and other large multi-unit developments in Australia and internationally. The Company commissioned its first hotel in Australia in 2004 and its first international property in 2005. The Swish Interactive system enables viewers to choose from a large range of movies, television shows and other content on demand. It also allows users to pause, bookmark, fast forward, rewind and replay their selected programme. The system enables users to surf the internet and receive emails on their television screen or connect their laptop to a high speed internet access system.

Production and post production

The Company produces a wide range of digital audio and video content. It produces the digital signage/location television programmes delivered by the Company and provides digital production services to the film and television industries. During the financial year the Company acquired an established Australian production company Black Cat Films that has produced over 400 television commercials and a 51% interest in an Indian ("Bollywood") production company. It also acquired a 51% interest in Amphead Entertainment on of Australia's largest wholesalers of digital download music

Advertising sales

The Company provides media sales services for a broad range of advertising mediums. The products on which the Company now sells advertising include digital signage, mobile outdoor billboards, into sports stadiums and onto a variety of other outdoor mediums. The acquisition of Swish Ambient Advertising enhances the Company's advertising sales expertise and increases the Company's advertising sales capacity. The Company also recently acquired a 51% interest in Torque Communications a sales and call centre business which will further expand its sales capacity.

OPERATING AND FINANCIAL REVIEW (Continued)

Equipment supply

Swish Group has established relationships with a range of audio visual equipment suppliers to enable it to supply all necessary equipment required for the operation of its Digital Signage and Digital Video on Demand businesses and for a range of commercial clients including Tabcorp Limited.

Results

Total revenue for the year ended 30 June 2006 was \$5.1m (2005: \$2.5m). During the financial year the Company continued to develop its digital media businesses by investing in its Digital Signage and Digital Video on Demand businesses and acquiring a number of related digital media businesses. These businesses are expected to generate significant revenues in the year ahead.

Overheads were at a similar level to the previous financial year. The Company has continued to exercise strict cost controls given its continued reliance on capital raisings.

Earnings before interest, tax, depreciation and amortisation (**EBITDA**) were a loss of \$1.8m (2005: loss \$1.0m). Depreciation and amortisation were \$0.4m (2005: \$0.6m). The consolidated entity incurred a net loss of \$3.2m in the year ended 30 June 2006 (2005: loss \$1.5m), after taking into account an income tax benefit from the Federal Government's Research and Development Tax Offset programme of \$0.2m (2005: \$0.2m) and an impairment loss of \$1.2m as a result of writing off all of the Company's capitalised research and development expenditure.

Financial position

Net liabilities at 30 June 2006 were \$0.2m (2005: net assets of \$1.9m).

Receivables were \$0.9m as at 30 June 2006 (2005: \$0.5m) reflecting the increase in revenues during the financial year.

The Company had \$0.6m net book value of plant and equipment as at 30 June 2006 (2005: \$1.0m). As at 30 June 2006 the Company had \$0.3m (2005: \$1.0m) of intangible assets, after writing off all of the previously capitalised development expenditure incurred in the development of its Digital Video on Demand system.

Payables increased to \$1.5m (2005: \$0.6m) largely reflecting the increase in business activity during the financial year. The Company had borrowings of \$0.6m as at 30 June 2006 (2005: \$0.7m).

Cash flows

The consolidated entity incurred net operating cash outflows of \$1.5m during the year ended 30 June 2006 (2005: outflow \$1.6m). Net investing cash inflows were \$8,600 in the year ended 30 June 2006 (2005: outflow \$0.1m), net of \$50,000 cash consideration received in connection with the disposal by the Company of one of its subsidiaries.

Net financing cash inflows of \$0.8m (2005: net inflow \$2.1m) in the year ended 30 June 2006 included \$1.0m proceeds from equity capital raisings. Because the Company's digital media businesses are still being commercialised the Company's income for the year ended 30 June 2006 has been insufficient, on its own, to service its operating expenses. Accordingly, the Company has undertaken a number of small capital raisings during the year to fund the continuing development of its digital media businesses. During the financial year the Company repaid borrowings of \$0.3m and incurred capital raising costs of \$37,000.

Cash balances were \$0.1m as at 30 June 2006 (2005: \$0.8m).

Likely developments and expected results

The Company will continue to pursue its strategy of developing and commercialising its various digital media businesses, with particular emphasis on its digital signage and digital video on demand businesses. The Company will also continue to develop its digital production, advertising sales, equipment supply, digital music, and call centre businesses as sources of additional cash flow. The Company will continue to seek out suitable acquisition and joint venture opportunities in the digital media sector. The Board is not yet in a position to give an accurate forecast of revenue and profitability for the financial year ending 30 June 2007.

RISK MANAGEMENT

The Board takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The Company believes that it is crucial for all Board members to be a part of this process and, as such, the Board has not established a separate risk management committee.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In July 2005 the Company disposed of its subsidiary entity Kids Connect Pty Ltd.

In August 2005 the Company acquired the business and assets of Ambient Advertising, which operates an advertising sales representation business throughout Australia and issued 500,000 fully paid ordinary shares at 2.5 cents per share to the vendors of Ambient Advertising. The acquisition is subject to an earn out component

In September 2005 the Company acquired the business and assets of Black Cat Films Pty Ltd, one of Australia's leading television production businesses and Black Cat Films Australia Pty Ltd, which was established to produce Indian (Bollywood) movies in Australia and issued 2,000,000 fully paid ordinary shares at $0.025 (2.5 cents) per ordinary share to acquire 51% of Black Cat Films Pty Ltd, one of Australia's leading television production businesses and 51% of Black Cat Films Australia Pty Ltd. Subsequently in October 2005 the Company acquired the balance of the business and assets of Black Cat Films Pty Ltd. The acquisition is subject to an earn out component

In October 2005 the Company entered into a joint venture agreement with New Zealand based advertising company Gawk Media Limited to form Ambient Advertising New Zealand Limited. Swish Ambient holds a 51% interest in the joint venture.

In October 2005 the Company completed a placement of 17,500,000 shares to sophisticated investors at 2 cents per share raising $350,000 to provide working capital and to finance acquisitions.

In November 2005 the Company completed a placement of 1,000,000 shares to a sophisticated investor at 2 cents per share raising $20,000 and issued 500,000 fully paid ordinary shares at 2.5 cents per share to the vendor of Black Cat Films Pty Ltd to acquire the remaining 49% of the business.

In December 2005 the Company formed a subsidiary entity Australian Vision Systems Pty Ltd as a joint venture to import and supply audio-visual display equipment. Swish Group holds a 51% interest in Australian Vision Systems Pty Ltd.

In February 2006 the Company completed placements of 39,333,333 shares to sophisticated investors at 1.5 cents per share raising $590,000 to provide working capital and to finance potential acquisitions.

In April 2006 the Company formed a subsidiary entity Swish Amphead Pty Ltd as a joint venture to act as a wholesaler of digital music. Swish Group holds a 51% interest in Swish Amphead Pty Ltd. The acquisition is subject to an earn out component

In June 2006 the Company entered into an agreement to form a subsidiary entity Swish Torque Communications as a joint venture to act as a telecommunications services reseller. Swish Group will hold a 51% interest in Swish Torque Communications. The agreement has an earn out component.

AFTER BALANCE DATE EVENTS

The following are significant matters which have arisen post 30 June 2006 that may affect the consolidated entity in financial years subsequent to 30 June 2006:

(a) Share Issues

On the 4 August 2006, the Company issued 33,333,333 fully paid ordinary shares raising $0.4m.

On the 16 August 2006, the Company issued 15,833,334 fully paid ordinary shares raising $0.2m.

(b) Film Production Contract

On the 23 August 2006, the Company announced that its Swish Black Cat Films division has been appointed by Indian Film Production Company Yash Raj films to be the Australian Producers for an Indian feature film to be shot in Melbourne and Sydney. The Company currently expects the contract to generate revenue of in excess of $1.6m in the first half of the 30 June 2007 financial year.

The financial effects of the above transactions have not been brought to account at 30 June 2006.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are not subject to any significant Commonwealth or State environmental regulations or laws.

SHARE OPTIONS

During the financial year ended 30 June 2006 a total of 7,500,000 options over unissued ordinary shares exercisable at 2.5 cents per share were granted by The Swish Group Limited in connection with acquisitions of subsidiary entities and a total of 2,500,000 options over unissued ordinary shares exercisable at 2.5 cents per share were granted to employees and contractors. A total of 2,250,000 employee options lapsed during the financial year. No options have been issued to the Directors. No options have been issued since 30 June 2006. No options have been exercised during the financial year ended 30 June 2006 and until the date of this report. As at the date of this report, there were 12,300,000 options outstanding. Refer to Note 17 of the financial statements for further details of options outstanding.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

No indemnities have been given or insurance premiums paid during or since the end of the financial year for any Directors, officers or auditors of the consolidated entity.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

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

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for Directors and executives of the Company.

Remuneration policy

The performance of the Company depends upon the quality of its Directors and executives. To be successful, the Company must attract, motivate and retain highly skilled Directors and executives. To this end, the Company seeks to provide competitive rewards to attract high calibre executives. The Board of Directors is responsible for determining and reviewing remuneration arrangements for the Directors, the Managing Director and the executive team. The Board of Directors assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration committee

In view of the size of the Company, the Company does not have a separately established remuneration committee.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct.

Executive Director and senior manager remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward executives for Company and individual performance;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Structure

Currently remuneration is paid in the form of cash remuneration, superannuation contributions and share options where applicable. The Company's remuneration policy is not currently directly related to Company performance. The Company paid no bonuses during the financial year ended 30 June 2006. Further details of the remuneration of the Directors are provided in note 27 to the financial statements. The Swish Group Ltd did not have any other Key Management Personnel who are not Directors.

Share options

All Directors and employees have the opportunity to qualify for participation in the Company Share Option Plan. The issue of options under this plan is at the discretion of the Board and is not currently based on Company performance. Options are used by the Company as a non-cash form of remuneration and have the objective of aligning employee interests with the objective of increasing shareholder wealth. Any issue of options under the plan to Directors is subject to shareholder approval. No equity-based remuneration was paid to the Directors in the financial year. Details regarding the issue of share options under the Company Share Option Plan to employees during the year are provided in note 17 to the financial statements.

Employment contracts

All employment contracts and contractor arrangements are on standard commercial terms. Staff are employed on contracts which are generally terminable on either party giving one month's written notice. Any options not exercised are forfeited if not exercised within 28 days of termination of employment.

REMUNERATION REPORT (Continued)

Non-executive Director remuneration

The Company's constitution provides that the total amount of remuneration provided to all non-executive Directors must not exceed an amount set by the Company in general meeting. Currently no Directors' fees are paid to the non-executive Directors. It is the Directors' intention to seek shareholder approval to pay remuneration to the non-executive Directors in due course and that remuneration paid to non-executive Directors may comprise Directors' fees.

Director's remuneration

Details of the nature and amount of each element of the emoluments of each Director of the Company for the financial year ended 30 June 2006 are as follows:

Name		Primary Emoluments Base Salary $	Post Employment Superannuation Contributions $	Equity Number of Options Granted No.	Value of Options Granted $	Total $
2006						
Mr. Cary Stynes	Managing Director	$180,000	-	-	-	$180,000
Mr. Peter Crafter	Finance Director	$140,000	-	-	-	$140,000
Mr. Stephen Layton	Non Executive	-	-	-	-	-
Mr. William Graham	Non Executive	-	-	-	-	-
Total		$320,000	$-	-	$-	$320,000
2005						
Mr. Cary Stynes	Managing Director	$180,000	-	-	-	$180,000
Mr. Peter Crafter	Finance Director	$135,617	-	-	-	$135,617
Mr. Stephen Layton	Non Executive	-	-	-	-	-
Mr. William Graham	Non Executive	-	-	-	-	-
Total		$315,617	$-	-	$-	$315,617

Mr. Stynes' salary included $102,458 (2005: $97,606) of accrued emoluments not paid to him during the financial year.
Mr. Crafter's salary included $20,667 (2005: $nil) of accrued emoluments not paid to him during the financial year

The Swish Group Ltd did not have any other Key Management Personnel who are not Directors.

Options

A total of 2,500,000 options were granted as part of staff remuneration during the year ended 30 June 2006 (2005: Nil). The options, which were granted on 15 March 2006, have an exercise price of 2 cents per share, vest immediately, expire after 5 years and are not subject to any performance conditions. The purpose of the option issue is to incentivise staff. Options granted as remuneration are valued at grant date in accordance with AASB 2 Share-based Payments. A total of 2,250,000 options previously granted as remuneration lapsed during the year. No options previously granted as remuneration were exercised during the year.

REMUNERATION REPORT (Continued)

Fair value of options

A total of 2,500,000 staff options were granted in the financial year ended 30 June 2006 (2005: Nil). The fair value of each option has been estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used:

	2006	2005
Dividend yield	Nil	Nil
Expected volatility	15%	45%
Historical volatility	15%	45%
Risk-free interest rate	5.500%	5.715%
Expected life of option	5.0 years	5.0 years

The dividend yield reflects the assumption that no dividends will be paid by the Company for the foreseeable future. The expected life of the options is based on the term of the options and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. All options issued to date have vested. Currently the fair values of options are not recognised as expenses in the financial statements. Refer to Note 17 of the financial statements for further details.

All options are vested as at the date of grant.

TAX CONSOLIDATION

The Company and its subsidiaries have not as at the date of this report elected to form a tax consolidated group.

AUDITOR'S INDEPENDENCE DECELARATION

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

NON-AUDIT SERVICES

The auditor, Pitcher Partners, did not provide any non-audit services to the Company during the financial year ended 30 June 2006.

Signed in accordance with a resolution of the Directors.

Gary P. Stynes
Managing Director

Melbourne
22 September 2006

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of The Swish Group Ltd

In relation to the independent review for the financial year ended 30 June 2006, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the Corporations Act 2001; and

(ii) No contraventions of any applicable code of professional conduct.

Pitcher Partners

Dated on 22 September 2006
Melbourne

M W PRINGLE
Partner

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

The Board of Directors has implemented the Best Practice Recommendations of the ASX Corporate Governance Council to the extent appropriate for the size and nature of the Company's business as described below. The format of the Corporate Governance Statement follows the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations". The Corporate Governance Statement must contain specific information and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why they have not been adopted. The Company's corporate governance practices were in place throughout the year ended 30 June 2006.

Principle 1: Lay solid foundations for management and oversight

The Board has been structured to ensure that an appropriate mix of experience and expertise is available to provide strategic guidance for the Company and effective oversight of management.

The Board acts on behalf of and is accountable to shareholders. The Board seeks to identify the expectations of shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board guides and monitors and fulfils its responsibility to protect shareholder interests and enhance shareholder value by:

- Approving and periodically reviewing the business and financial objectives and strategies and plans of the Company;
- Monitoring the financial performance of the Company, including approval of the Company's financial statements;
- Ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- Identifying areas of significant business or financial risk to the Company and ensuring management takes appropriate action to manage those risks;
- Reviewing the performance and remuneration of Board members and key members of staff;
- Monitoring the operations of the consolidated entity and the performance of management;
- Establishing and maintaining appropriate ethical standards; and
- Reporting to the shareholders, the Australian Securities and Investments Commission and the Australian Stock Exchange as required.

The Board delegates to the Managing Director and the executive team responsibility for the operation and administration of the Company.

Principle 2: Structure the Board to add value

The Directors in office and the term in office held by each Director at the date of this report are as follows:

Name	**Position**	**Term in office**
Cary Stynes	Managing Director	3 years 8 months
Peter Crafter	Finance Director	3 years 8 months
Stephen Layton	Non-Executive Director	2 years 8 months
William Graham	Non-Executive Director	6 months

The skills, experience and expertise relevant to the position held by each Director in office at the date of the annual report is included in the Directors' Report. Directors are considered to be independent when they are independent of management, are not a substantial shareholder and are free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of Director independence, "materiality" is considered from both the company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include where a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the company's loyalty.

Principle 2: Structure the Board to add value (Continued)

Corporate Governance Council Recommendation 2.1 requires that a majority of the Board be independent Directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, none of the Directors of the Company are considered to be independent, as they are all substantial shareholders in the Company. It is the Company's objective that a majority of independent Directors be appointed in due course.

Corporate Governance Council Recommendation 2.2 requires the chair of the Company to be independent. Recommendation 2.3 requires that the roles of chairperson and chief executive officer should not be exercised by the same individual. The Company is not yet in a position to appoint an independent chair. It is the Company's objective that an independent chair be appointed in due course. Mr. Cary Stynes, the Managing Director, will continue to chair Board and shareholder meetings until the appointment of a suitably qualified chair at which time the roles of chair and Managing Director will be split.

The Company's constitution provides that a Director other than the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his or her election, whichever is longer, without submitting for re-election. One third of the Directors retire each year and are eligible for re-election. The Directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their appointment or last election. All Directors must be elected by the members. It is not a requirement for a person who is a Director to own shares in the Company.

Corporate Governance Council Recommendation 2.4, 4.2 and 9.2 require listed entities to establish nomination, audit and remuneration committees. During the financial year ended 30 June 2006, the Company did not have separately established nomination, audit or remuneration committees. In view of the size of the Company the Board considers that establishing formally constituted committees for board nominations, audit, and remuneration would contribute little to its effective management. Accordingly, the nomination of new Directors, audit matters and the setting and review of remuneration levels of Directors and senior executives are reviewed by the Board as a whole and approved by resolutions of the Board (with abstentions from relevant Directors where there is a conflict of interest). Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice will be taken and reviewed prior to a final decision being made by the Board.

The Company provides the capacity for any Director to obtain separate professional advice on any matter being discussed by the Board and for the Company to pay the cost incurred. Before the engagement is made, the Director is required to obtain the Chairman of the Board's approval. Approval will not be unreasonably denied and the Director will be expected to provide the Board with a copy of that advice.

Principle 3: Promote ethical and responsible decision-making

All Directors and officers of the Company are required to discharge their responsibilities ethically and with integrity.

The Board has drawn up a code of conduct to guide Board members, executives and employees in carrying out their duties and responsibilities, to guide compliance with legal and other obligations and to maintain confidence in the Company's integrity, as required by Recommendations 3.1 and 10.1. Executives and employees are encouraged to report to Board members any concerns regarding potentially unethical practices.

Dealings are not permitted in the Company's securities at any time when Directors, officers or employees are in the possession of price sensitive information not already available to the market, as required by Recommendation 3.2. In addition, the Corporations Act 2001 prohibits the purchase or sale of securities whilst a person is in possession of inside information and the ASX Listing Rules require disclosure of any trading undertaken by Directors or their related entities in the Company's securities. The Company Secretary must be notified of any trading and must also be provided with confirmation that the trading has occurred.

Principle 4: Safeguard integrity in financial reporting

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The Managing Director and Finance Director have provided a written statement to the Board that in their view the company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards and that the Company's risk management and internal compliance and control systems are operating efficiently and effectively, as required by Recommendations 4.1 and 7.2.

Corporate Governance Council Recommendation 4.2 requires listed entities to establish an audit committee. In view of the size of the Company, the Company does not have a separately established audit committee.

Principle 5: Make timely and balanced disclosure

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance, as required by Recommendation 5.1. All ASX announcements are handled by the Managing Director or Finance Director and there are requirements within the Company to ensure that the ASX's continuous disclosure requirements are strictly followed and that unauthorised disclosure of price sensitive information is not made other than through the ASX's Company Announcements Office.

Principle 6: Respect the rights of shareholders

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs, as required by Recommendation 6.1. Information is communicated to shareholders and the market through:

- The Annual Report which is distributed to shareholders;
- The Annual General Meeting and other shareholder meetings called to obtain approval for Board action as appropriate and required;
- The Half-Yearly Financial Report and Quarterly Cash Flow Statements; and
- Other announcements made in accordance with ASX Listing Rules.

The Company's reports and ASX announcements may be viewed and downloaded from the ASX website: www.asx.com.au (stock code: SWG).

It is the Company's policy that the external auditor attends the Annual General Meeting of the Company and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report, as required by Recommendation 6.2.

Principle 7: Recognise and manage risk

The Board has adopted a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The Company believes that it is crucial for all Board members to be a part of this process and, as such, the Board has not established a separate risk management committee.

The Board has established policies on risk oversight and management, as required by Recommendation 7.1. The executive Directors are closely involved in the day-to-day management of the Company's operations and, given the current size of the operations of the consolidated entity, are in a position to continually monitor risk with the assistance of the executive team.

Principle 8: Encourage enhanced performance

The performance of the Board and key executives is reviewed regularly by the Board against their contribution to the performance of the Company, in accordance with Recommendation 8.1. Directors whose performance is unsatisfactory may be asked to retire.

Principle 9: Remunerate fairly and responsibly

The Board is responsible for determining and reviewing remuneration arrangements for the Directors themselves, the Managing Director and the executive team. It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions and their experience and expertise. To assist in achieving this objective, the Board takes account of the Company's financial and operating performance in setting the nature and amount of executive Directors' and executives' remuneration. In relation to the payment of bonuses, options or other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period. The expected outcomes of the remuneration structure are:

- Attraction of quality management to the Company.
- Retention and motivation of key executives.
- Performance incentives which allow executives to share the rewards of the success of the Company.

Principle 9: Remunerate fairly and responsibly (continued)

Further details of the Company's remuneration policy, including details of the amount of remuneration and all monetary and non-monetary components for each of the five highest paid (non-Director) executives during the year and for each of the Directors, are set out in the Remuneration Report forming part of the Directors' Report in accordance with Recommendation 9.1.

Recommendation 9.2 requires listed entities to establish a remuneration committee. In view of the size of the Company, the Company does not have a separately established remuneration committee.

Non-executive Directors are not remunerated on the same basis as executives, in accordance with Recommendation 9.3. The Company's constitution provides that the total amount of remuneration provided to all non-executive Directors must not exceed an amount set by the Company in general meeting. Currently no Directors' fees are paid to the non-executive Directors. It is the Directors' intention to seek shareholder approval to pay remuneration to the non-executive Directors in due course and that remuneration paid to non-executive Directors may comprise Directors' fees and/or options. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors.

Shareholder approval is required for all equity-based remuneration payable to Board members, in accordance with Recommendation 9.4.

Principle 10: Recognise the legitimate interests of stakeholders

The Board recognises that the Company has wide ranging obligations to a broad range of stakeholders and must comply with legal requirements such as trade practices, equal opportunity and occupational health and safety issues.

The Company's corporate governance practices were in place throughout the year ended 30 June 2006. With the exception of the departures from the Corporate Governance Council recommendations detailed above, the corporate governance practices of the Company were compliant with the Council's best practice recommendations.

THE SWISH GROUP LIMITED AND CONTROLLED ENTITES
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Revenue	4	**5,102,457**	2,489,410	**53,392**	45,910
Cost of sales		**(4,486,725)**	(1,185,878)	**-**	-
Gross Profit		**615,732**	**1,303,532**	**53,392**	**45,910**
Employee benefits expense	5	**(1,364,323)**	(1,431,146)	**(407,963)**	(382,221)
Administrative expenses	5	**(1,053,575)**	(892,976)	**(756,390)**	(607,752)
Impairment losses	5	**(1,214,735)**	-	**(1,132,242)**	-
Depreciation and amortisation expenses	5	**(359,730)**	(590,684)	**(12,144)**	(12,635)
Finance costs	5	**(51,028)**	(62,401)	**(10,971)**	(11,545)
Losses before income tax		**(3,427,659)**	(1,673,675)	**(2,266,318)**	(968,243)
Income tax benefit	6	**238,360**	152,221	**-**	-
Net loss for the year		**(3,189,299)**	(1,521,454)	**(2,266,318)**	(968,243)
Loss attributable to minority interests	20	**4,827**	43,562	**-**	-
Loss attributable to the members of the parent	18	**(3,184,472)**	(1,477,892)	**(2,266,318)**	(968,243)
Basic earnings per share (cents)	7	**(1.0)**	(0.6)		
Diluted earnings per share (cents)	7	**(0.9)**	(0.6)		

The accompanying notes form part of these financial statements.

THE SWISH GROUP LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
ASSETS					
Current assets					
Cash and cash equivalents	8	**128,877**	755,869	**25,626**	680,804
Trade and other receivables	9	**877,931**	461,074	**1,268,946**	1,733,912
Total current assets		**1,006,808**	1,216,943	**1,294,572**	2,414,716
Non-current assets					
Investments	10	-	-	**259,000**	150,903
Plant and equipment	11	**587,045**	1,010,563	**32,298**	44,442
Intangible assets	12	**259,000**	1,016,254	-	-
Total non-current assets		**846,045**	2,026,817	**291,298**	195,345
TOTAL ASSETS		**1,852,853**	3,243,760	**1,585,870**	2,610,061
LIABILITIES					
Current liabilities					
Trade and other payables	13	**1,494,838**	605,485	**359,862**	231,893
Short-term borrowings	14	**270,020**	150,000	**170,020**	-
Current portion of long-term borrowings	15	**220,694**	202,450	**57,552**	51,736
Provisions	16	**25,051**	29,918	**421**	2,347
Total current liabilities		**2,010,603**	987,853	**587,855**	285,976
Non-current liabilities					
Long-term borrowings	15	**88,530**	309,223	**10,202**	67,754
Total non-current liabilities		**88,530**	309,223	**10,202**	67,754
TOTAL LIABILITIES		**2,099,133**	1,297,076	**598,057**	353,730
NET ASSETS		**(246,280)**	1,946,684	**987,813**	2,256,331
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	17	**16,402,008**	15,404,208	**16,402,008**	15,404,208
Accumulated losses	18	**(16,593,147)**	(13,408,675)	**(15,414,195)**	(13,147,877)
Reserves	19	**(1,465)**	-	-	-
Parent entity interests		**(192,604)**	1,995,533	**987,813**	2,256,331
Minority interests	20	**(53,676)**	(48,849)	-	-
TOTAL EQUITY		**(246,280)**	1,946,684	**987,813**	2,256,331

The accompanying notes form part of these financial statements.

THE SWISH GROUP LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
TOTAL EQUITY AT THE BEGINNING OF THE YEAR	**1,946,684**	1,331,457	**2,256,331**	1,137,893
Loss for the year	**(3,189,299)**	(1,521,454)	**(2,266,318)**	(968,243)
Exchange differences on translation of foreign operations	**(1,465)**	-	-	-
Total recognised income and expense for the period	**(3,190,764)**	(1,521,454)	**(2,266,318)**	(968,243)
Attributable to:				
Members of the parent	**(3,185,937)**	(1,477,892)	**(2,266,318)**	(968,243)
Minority interests	**(4,827)**	(43,562)	-	-
	(3,190,764)	(1,521,454)	**(2,266,318)**	(968,243)
Transactions with equity holders in their capacity as equity holders:				
Contributions	**997,800**	2,136,681	**997,800**	2,086,681
	997,800	2,136,681	**997,800**	2,086,681
TOTAL EQUITY AT THE END OF THE YEAR	**(246,280)**	1,946,684	**987,813**	2,256,331

The accompanying notes form part of these financial statements.

THE SWISH GROUP LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cash flows from operating activities					
Receipts from customers		**4,796,413**	2,593,560	**23,861**	38,356
Operating grant receipts		**32,513**	-	-	-
Payments to suppliers and employees		**(6,507,174)**	(4,305,572)	**(718,963)**	(298,849)
Interest received		**10,360**	21,254	**8,612**	20,868
Borrowing costs		**(51,028)**	(62,401)	**(10,971)**	(11,545)
Tax benefit received		**238,360**	152,221	-	-
Net cash used in operating activities	8	**(1,480,556)**	(1,600,938)	**(697,461)**	(251,170)
Cash flows from investing activities					
Proceeds from sale of plant and equipment		-	1,456	-	-
Proceeds from disposal of subsidiary entity		**50,000**	-	**50,000**	-
Purchase of plant and equipment		**(30,142)**	(90,724)	-	(5,254)
Purchase of businesses		**(10,000)**	(50,000)	**(10,000)**	(50,000)
Net cash provided by (used in) investing activities		**9,858**	(139,268)	**40,000**	(55,254)
Cash flows from financing activities					
Proceeds from share issues		**960,000**	2,172,000	**960,000**	2,172,000
Proceeds from borrowings		**210,020**	160,000	**210,020**	160,000
Repayment of borrowings		**(292,449)**	(230,018)	**(91,736)**	(40,510)
Funding provided by outside equity interest		-	50,000	-	-
Capital raising costs		**(37,200)**	(89,000)	**(37,200)**	(89,000)
Advances to controlled entities		-	-	**(1,038,801)**	(1,485,369)
Net cash provided by (used in) financing activities		**840,371**	2,062,982	**2,283**	717,121
Net increase/ (decrease) in cash and cash equivalents		**(630,327)**	322,776	**(655,178)**	410,697
Cash and cash equivalents at beginning of year		**755,869**	433,093	**680,804**	270,107
Cash and cash equivalents at end of year	8	**125,542**	755,869	**25,626**	680,804

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

The Swish Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The consolidated entity's principal activities in the course of the financial year were in the area of digital media, including digital signage/location television, hotel digital video on demand and high speed internet access, film and television production and post production, advertising sales and equipment supply.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial report covers The Swish Group Limited as an individual parent entity and The Swish Group Limited and controlled entities as a consolidated entity. The Swish Group Limited is a listed public company, limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared in accordance with the historical cost convention and, except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The financial report is presented in Australian dollars.

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

(b) Statement of compliance

The financial report The Swish Group Limited and controlled entities and The Swish Group Limited as an individual parent entity comply with Australian equivalents to International Financial Reporting Standards (AIFRS).

This is the first financial report of The Swish Group Limited prepared in accordance with AIFRS. The financial reports of The Swish Group Limited were prepared in accordance with the previous Australian Generally Accepted Accounting Principles (AGAAP) until 30 June 2005. There are certain differences between accounting policies under AIFRS and AGAAP and where applicable the comparative figures have been restated to reflect these adjustments. A summary of the significant accounting policies under AIFRS is provided below. Reconciliations of equity and operating loss between AGAAP and AIFRS are provided in note 31.

(c) Going concern basis of accounting

The financial statements have been prepared on a going concern basis. The consolidated entity incurred a loss for the year ended 30 June 2006 of $3,184,272 and has a deficiency in net assets as at 30 June 2006 of $246,280. The consolidated entity's income has been insufficient on its own to service its debt obligations and other running expenses. The operations of the consolidated entity for the year ended 30 June 2006 were funded out of revenues and the proceeds of a number of share issues. Without such continued financial support and ability to raise capital, there is uncertainty as to whether the consolidated entity will be able to continue as a going concern and it may become necessary for it to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

Subsequent to 30 June 2006, there have been further share issues totalling $0.6m. In August 2006 it was announced that the Swish Black Cat Films division had been appointed the Australian Producers of an Indian feature film. The Directors, expect this contract to generate revenue of approximately $1.6m in the first half of the year ended 30 June 2007. Further details are provided in Note 25.

In view of the circumstances and recent developments outlined above, the Directors are of the opinion that the consolidated entity will have sufficient funding and that it is appropriate to prepare the accounts on a going concern basis.

(d) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which The Swish Group Limited controlled from time to time during the year and at balance date. Details of the controlled entities are contained in note 10.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(d) Principles of consolidation (Continued)

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All intercompany balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Minority interests in the equity and results of the entities that are controlled are shown separately in the consolidated financial report.

A controlled entity is any entity controlled by The Swish Group Limited. Control exists where The Swish Group Limited has the capacity to dominate the decision-making in relation to the financial and operational policies of another entity so that the other entity operates with The Swish Group Limited to achieve the objectives of The Swish Group Limited.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

(e) Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from the provision of services to customers is recognised upon delivery of the service to the customer.

Government grants received that relate to specific assets or expenses are deferred and recognised as income in the same period as the asset is consumed or when the associated expenses are incurred. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-tem deposits with an original maturity of three months or less held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(g) Property, plant and equipment

Cost
Property, plant and equipment is stated at cost less depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed for impairment annually by the Directors for events or changes in circumstances that indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

Depreciation
The depreciable amounts of fixed assets are depreciated on a straight-line basis or diminishing balance basis as appropriate over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

	2006	2005
Plant and equipment:	2 to 10 years	2 to 10 years
Leasehold improvements:	2 to 10 years	2 to 10 years

(h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance Leases
Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to entities within the consolidated entity are classified as finance leases. Finance leases are capitalised, recording at the inception of the lease an asset and liability equal to the present value of the minimum lease payments, and disclosed as plant and equipment under lease. Leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(h) Leases (Continued)

Lease payments are allocated between interest expense and reduction of the lease liability. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the Income Statement.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Operating Leases
Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(i) Intangibles

Goodwill
Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired entities at the date of acquisition.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. (Refer also to note 31 regarding first-time adoption of AIFRS).

Research and Development
Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when it is expected that future benefits will exceed the deferred costs in accordance with AASB 138. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost over a period (not exceeding five years), during which the related benefits are expected to be realised, once commercial production is commenced.

Other development expenditure is recognised as an expense when incurred.

(j) Impairment of assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(k) Taxes

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses

Current and deferred tax balances attributable to amounts recognized directly in equity are also recognised directly in equity.

(l) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Share-based payments
The group operates an employee share option plan. The bonus element over the exercise price for the grant of options is recognised as an expense in the Income Statement in the period(s) when the benefit is earned.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(l) Employee benefits (Continued)

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date. Under the transitional arrangements for first-time adoption of AIFRS, no expense has been recognised for options granted before 7 November 2002 and/or vested before 1 January 2005. For options granted after 7 November 2002 and vesting after 1 January 2005 the fair value of options at grant date is determined using a Black-Scholes option pricing model, and is recognised as an employee expense over the period during which the employees become entitled to the option.

(m) Financial instruments

Classification
The group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and Receivables
Loan and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial Liabilities
Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

(n) Foreign Currencies

Functional and presentation currency
The financial statements of each group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

Transactions and Balances
Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

Group Companies
The financial statements of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- All resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve as a separate component of equity in the balance sheet.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(o) Comparatives

In accordance with the first-time adoption of AIFRS, comparative information has been reclassified where appropriate through retrospective application of AIFRS to the previous year results so as to achieve consistency with current year disclosures.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are based on past performance and management's expectations for the future.

Critical accounting estimates and assumptions

The group makes certain estimates and assumptions concerning the future, which, by definition, will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events which could have a material impact on the assets and liabilities in the next financial year are discussed below:

(a) Estimated impairment of goodwill

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value-in-use calculations. These calculations are based projected cash flows approved by management covering a period not exceeding 5 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using a discount rate of 35% to determine value-in-use.

(b) Income taxes

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

4. REVENUE

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Revenue from operating activities				
Revenue from sale of goods	200,059	701,709	-	-
Revenue from services	4,782,313	1,527,700	-	-
Total sales revenue	4,982,372	2,229,409	-	-
Revenue from non-operating activities				
Government grants	32,513	-	-	-
Other revenue	77,212	238,747	44,780	25,042
Bank interest receivable	10,360	21,254	8,612	20,868
Total other revenue	120,085	260,001	53,392	45,910
Total revenue	5,102,457	2,489,410	53,392	45,910

5. EXPENSES

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Employee benefits expense				
Wages and salaries	**1,293,378**	1,330,849	**397,817**	379,332
Workers' compensation costs	**13,447**	10,765	**5,008**	9,760
Payroll tax	**33,891**	38,495	**168**	2,717
Superannuation costs	**43,608**	45,955	**6,896**	7,600
Annual leave provision	**(20,001)**	5,082	**(1,926)**	(17,188)
Total employee benefits expense	**1,364,323**	1,431,146	**407,963**	382,221
Administrative expenses				
Occupancy costs	**135,595**	161,153	**38,305**	29,083
Advertising and marketing expenses	**3,557**	13,716	**-**	4,375
Operating lease rentals	**211,490**	192,524	**-**	-
Communications costs	**62,966**	75,021	**21,768**	18,314
Professional fees	**151,137**	161,482	**60,150**	141,009
Office administration costs	**388,031**	288,471	**190,651**	164,738
Other expenses	**100,799**	609	**445,516**	250,233
Total other expenses	**1,053,575**	892,976	**756,390**	607,752
Other expenses				
Bad debts expense	**-**	-	**-**	-
Doubtful debts	**35,248**	(2,813)	**-**	(2,179)
Net foreign exchange differences	**792**	3,422	**-**	-
Impairment losses - goodwill	**29,537**	-	**-**	-
Loss on disposal of fixed assets	**93,936**	-	**-**	-
Provisions against subsidiary entities	**-**	-	**445,516**	252,412
Gain on disposal of subsidiary entity	**(43,481)**	-	**-**	-
Other	**(15,233)**	-	**-**	-
	100,799	609	**445,516**	250,233
Impairment losses				
Impairment loss on capitalised Research and development	**1,214,735**	-	**-**	-
Impairment loss on investments	**-**	-	66,880	-
Impairment loss on related party receivables	**-**	-	1,065,362	-
	1,214,735	-	**1,132,242**	-
Depreciation and amortisation expense				
Depreciation of non-current assets:				
Plant and equipment	**351,474**	435,758	**9,348**	10,473
Leasehold improvements	**8,256**	6,917	**2,796**	2,162
Total depreciation of non-current assets	**359,730**	442,675	**12,144**	12,635
Amortisation of non-current assets:				
Research and development	**-**	148,009	**-**	-
Total amortisation of non-current assets	**-**	148,009	**-**	-
Total depreciation and amortisation expense	**359,730**	590,684	**12,144**	12,635
Finance costs				
Interest expense:				
Other interest	**13,218**	13,970	**250**	360
Finance charges payable under hire purchase contracts	**37,810**	48,431	**10,721**	11,185
Total finance costs	**51,028**	62,401	**10,971**	11,545

6. INCOME TAX

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting loss before income tax	**(3,427,659)**	(1,673,675)	**(2,266,318)**	(968,243)
At the Group's statutory income tax rate of 30% (2005: 30%)	**1,028,298**	502,103	**679,895**	290,473
Timing differences and tax losses not brought to account as future income tax benefits	**(789,938)**	(349,882)	**(679,895)**	(290,473)
Research and development tax concession received	**238,360**	152,221	-	-
Income tax benefit reported in the consolidated income statement	**238,360**	152,221	-	-

Income tax losses

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Future income tax benefits not recognised as assets:				
Tax losses – revenue	**3,893,671**	2,851,797	**2,619,180**	2,338,755
Timing differences	**41,378**	21,034	**5,715**	21,315
	3,935,049	2,872,831	**2,624,896**	2,360,070

Future income tax benefits

The future income tax benefit will only be obtained if:
(a) future assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
(b) the conditions for deductibility imposed by tax legislation are complied with; and
(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Tax consolidation

The Company and its subsidiaries have not as at the date of this report elected to form a tax consolidated group.

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	Consolidated 2006 Cents per share	Consolidated 2005 Cents per share
Basic earnings per share	**(1.0) cents**	(0.6) cents
Diluted earnings per share	**(0.9) cents**	(0.6) cents
Earnings used in calculating basic and diluted earnings per share	**($3,184,472)**	($1,477,892)

	Number of shares 2006	Number of shares 2005
Weighted average number of ordinary shares used in calculating basic earnings per share	**327,266,504**	233,032,531
Effect of dilutive securities:		
Share options	**10,495,205**	4,865,069
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**337,761,709**	237,897,600

8. CASH AND CASH EQUIVALENTS

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Reconciliation of cash				
Cash	**103,864**	43,846	**613**	18,781
Deposits at call	**13**	637,023	**13**	637,023
Security deposits	**25,000**	75,000	**25,000**	25,000
	128,877	755,869	**25,626**	680,804
Bank overdraft	**(3,335)**	-	-	-
Closing cash balance	**125,542**	755,869	**25,626**	680,804

Cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at bank earns interest at floating rates based on daily bank deposit rates. Deposits at call earn interest at short-term deposit rates.

Security deposits consisted of $25,000 which is held by National Australia Bank Limited to secure a bank guarantee in favour of the landlord to secure the Company's lease obligations in respect of the Company's offices at 170 Dorcas Street, South Melbourne as at 30 June 2006.

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Reconciliation of net loss after tax to net cash flows from operations				
Net loss after income tax	**(3,189,299**	(1,521,454)	**(2,266,318)**	(968,243)
Non-cash items:				
Depreciation of non-current assets	**359,730**	442,675	**12,144**	12,635
Amortisation of non-current assets		148,009	-	-
Impairment losses	**1,214,735**		**1,132,242**	
Bad and doubtful debts	**31,248**	2,813	-	2,179
Capitalisation of research and development costs	**(278,016)**	(534,224)	-	-
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables	**(448,105)**	(44,610)	**(600,396)**	(680,386)
Increase/(decrease) in trade and other payables	**834,018**	(102,905)	**1,026,793**	1,399,833
Increase/(decrease) in provisions	**(4,867)**	8,758	**(1,926)**	(17,188)
Net cash used in operating activities	**(1,480,556)**	(1,600,938)	**(697,461)**	(251,170)

Acquisition of Subsidiaries

During the period the group acquired a number of subsidiaries. The group did not acquire any assets and liabilities other than goodwill as a result of these acquisitions.

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
Goodwill acquired	209,000	50,000	209,000	50,000
Less: consideration accrued at 30 June 2006	(124,000)	-	(124,000)	-
Less: acquisition through share issue at fair value	(75,000)	-	(75,000)	-
Cash flow on acquisition net of share issues	**10,000**	50,000	**10,000**	50,000

Disposal of Subsidiary

During the period the group disposed Kids Connect Pty Ltd. Aggregate details of this transaction are:

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
Disposal Price	50,000	-	50,000	-
Cash Consideration	50,000	-	50,000	-
Investment in controlled entity	-	-	34,023	-
Net gain on disposal	50,000	-	15,977	-
	50,000	-	50,000	-

8. CASH AND CASH EQUIVALENTS (Continued)

Loan facilities	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
At balance date, the following financing facilities had been negotiated and were available:				
Facilities				
Convertible Note facility – related party	-	500,000	-	500,000
Hire Purchase facility – National Australia Bank Limited	600,000	600,000	-	-
Hire Purchase facility – Capital Finance Australia Limited	160,000	160,000	160,000	160,000
Loan facility – third party	100,000	150,000	-	-
Bank overdraft facility – Bank of New Zealand	20,000	-	-	
Total	880,000	1,410,000	160,000	660,000
Facilities used at reporting date				
Convertible Note facility – related party	-	-	-	-
Hire Purchase facility – National Australia Bank Limited	241,469	511,673	-	-
Hire Purchase facility – Capital Finance Australia Limited	67,755	119,490	67,755	119,490
Loan facility – third party	100,000	150,000	-	-
Bank overdraft facility – Bank of New Zealand	3,335	-	-	-
Total	412,559	781,163	67,755	119,490
Facilities unused at reporting date				
Convertible Note facility – related party	-	500,000	-	500,000
Hire Purchase facility – National Australia Bank Limited	358,531	88,327	-	-
Hire Purchase facility – Capital Finance Australia Limited	92,245	40,510	92,245	40,510
Loan facility – third party	-	-	-	-
Bank overdraft facility – Bank of New Zealand	16,665			
Total	467,441	628,837	92,245	540,510

9. RECEIVABLES (CURRENT)

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Trade receivables	798,477	333,834	20,533	3,180
Provision for doubtful debts	(36,033)	(4,785)	-	-
	762,444	329,049	20,533	3,180
Other receivables	115,487	132,025	12,994	23,236
Amounts receivable from related parties:				
Subsidiary entities	-	-	1,235,419	1,707,496
	877,931	461,074	1,268,946	1,733,912
Related party receivables:				
Subsidiary entities	-	-	1,235,419	1,707,496

Terms and conditions

Terms and conditions relating to the above financial instruments

(i) Trade receivables are non-interest bearing and generally on 30-day terms.
(ii) Other receivables are non-interest bearing and have repayment terms between 30 and 90 days.
(iii) For terms and conditions relating to related party receivables refer to note 30.
(iv) Trade receivables of $0.4m (2005: $Nil) are secured by a charge to secure the obligations of Swish Group under an asset purchase agreement with the vendors of the business of Ambient Advertising Pty Ltd.

10. NON-CURRENT INVESTMENTS

Interests in subsidiaries

Name of entity	Country of Incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		Company 2006 %	Company 2005 %	Company 2006 $	Company 2005 $
Swish Digital Signage Pty Ltd	Australia	**100**	51	**50,000**	50,000
Swish Interactive Pty Ltd	Australia	**100**	100	-	66,880
Swish Afterpost Pty Ltd	Australia	**100**	100	-	-
Swish Amphead Pty Ltd	Australia	**51**	51	**124,000**	-
Swish Media Pty Ltd	Australia	**100**	100	-	-
Kids Connect Pty Ltd	Australia	**0**	56	-	34,022
Swish Transit Pty Ltd	Australia	**100**	100	-	1
Swish Ambient Pty Ltd	Australia	**100**	-	**12,500**	-
Swish Films Pty Ltd	Australia	**100**	-	-	-
Swish Black Cat Pty Ltd	Australia	**51**	-	**72,500**	-
Swish Ambient New Zealand Limited	New Zealand	**51**	-	-	-
Australian Vision Systems Pty Ltd	Australia	**51**	-	-	-
Swish TV Pty Ltd	Australia	**51**	-	-	-
				259,000	150,903

11. PLANT AND EQUIPMENT

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
(a) Carrying values				
Plant and equipment:				
At cost	**1,495,885**	1,598,114	**60,925**	60,925
Accumulated depreciation	**(916,846)**	(636,257)	**(34,215)**	(24,867)
Total plant and equipment	**579,039**	961,857	**26,710**	36,058
Leasehold improvements:				
At cost	**14,782**	64,266	**10,942**	10,942
Accumulated depreciation	**(6,776)**	(15,560)	**(5,354)**	(2,558)
Total leasehold improvements	**8,006**	48,706	**5,588**	8,384
Total written down amount	**587,045**	1,010,563	**32,298**	44,442
Plant and equipment includes the following amounts held as security:				
Security for short term borrowings	**75,980**	130,448	-	-
Security for hire purchase commitments	**307,061**	433,632	-	-
	383,041	564,080	-	-

11. PLANT AND EQUIPMENT (Continued)

(b) Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial year:

	Plant and Equipment $	Leasehold Improvements $	Total $
Consolidated entity			
Balance at the beginning of the year	961,857	48,706	1,010,563
Additions	30,142	-	30,142
Disposals	-	-	-
Depreciation expense	(61,486)	(32,444)	(93,930)
	(351,474)	(8,256)	(359,730)
Balance at the end of the year	579,039	8,006	587,045
Parent entity			
Balance at the beginning of the year	36,058	8,384	44,442
Additions	-	-	-
Disposals	-	-	-
Depreciation expense	(9,348)	(2,796)	(12,144)
Balance at the end of the year	26,710	5,588	32,298

12. INTANGIBLE ASSETS

	Consolidated 2006 $	Consolidated 2005 $	**Company 2006 $**	Company 2005 $
(a) Carrying values				
Research and development:				
At cost	-	1,084,727	-	-
Accumulated amortisation	-	(148,009)	-	-
	-	936,718	-	-
Goodwill:				
At cost	**259,000**	79,536	-	-
Total	**259,000**	1,016,254	-	-

(b) Reconciliations

Reconciliations of the carrying amounts for each class of intangible assets at the beginning and end of the current financial year

	Research and Development $	Goodwill $	Total $
Consolidated entity			
Balance at the beginning of the year	936,718	79,536	1,016,254
Additions	-	209,000	209,000
Capitalisation of research and development costs	278,017	-	278,017
Impairment	(1,214,735)	(29,536)	(1,244,271)
Balance at the end of the year	-	259,000	259,000

Development costs have been capitalised at cost. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 10 years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

13. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Trade payables	853,520	307,487	81,808	71,335
Bank overdraft	3,335	-	-	-
Other payables	514,858	200,392	154,929	62,952
Related parties	123,125	97,606	123,125	97,606
	1,494,838	605,485	359,862	231,893
Related party payables				
Accrued salary payable to Directors (see note 27)	123,125	97,606	123,125	97,606

Terms and conditions relating to the above financial instruments:

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.
(ii) Other creditors are non-interest-bearing and are normally payable within 30 and 90 days
(iii) Details of the terms and conditions of related party payables are set out in notes 27 and 28.

14. SHORT-TERM BORROWINGS

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Secured loan facility	100,000	150,000	-	-
Related parties	20,000	-	20,000	-
Capital raising proceeds received in advance	150,020		150,020	
	270,020	150,000	170,020	-
Related party loan	20,000	-	20,000	-

Terms and conditions relating to the above financial instruments:

(i) The secured loan facility is the liability of a subsidiary entity, Swish Interactive Pty Ltd and is secured by the assets financed and a fixed and floating charge over the assets of Swish Interactive Pty Ltd. The secured loan facility bears interest at 9.00% and is repayable on 31 March 2007.
(ii) Details of the related party loan are contained in note 27.

15. LONG-TERM BORROWINGS

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Current:				
Hire Purchase liabilities (see Note 21(b))	220,694	202,450	57,552	51,736
Non-current:				
Hire Purchase liabilities (see Note 21(b))	88,530	309,223	10,202	67,754

Terms and conditions relating to the above financial instruments:

(i) Hire Purchase liabilities are secured by the assets financed being plant and equipment. In addition, the National Australia Bank Limited has a fixed and floating charge over the assets of the Company and its subsidiary entity Swish Afterpost Pty Ltd. Hire Purchase facilities bear interest at rates between 7.95% - 10.7% and are repayable by 26 February 2008.

16. PROVISIONS

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Provision for annual leave	**25,051**	29,918	**421**	2,347
The number of employees at year end	14	21	2	5

17. CONTRIBUTED EQUITY

(a) Issued and paid up capital

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Ordinary shares fully paid	**16,402,008**	15,404,208	**16,402,008**	15,404,208

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in shares on issue

	2006 Number of Shares	2006 $	2005 Number of Shares	2005 $
Beginning of the financial year	**298,104,860**	**15,404,208**	197,704,860	13,317,528
Shares issued during the year				
1. Issue of shares on 7 September 2004	-	-	20,000,000	400,000
2. Issue of shares on 16 February 2005	-	-	50,000,000	1,250,000
3. Issue of shares on 16 February 2005	-	-	1,400,000	35,000
4. Issue of shares on 27 June 2005	-	-	29,000,000	522,000
5. Issue of shares on 18 August 2005	**500,000**	**12,500**	-	-
6. Issue of shares on 29 September 2005	**2,000,000**	**50,000**	-	-
7. Issue of shares on 29 October 2005	**17,500,000**	**350,000**	-	-
8. Issue of shares on 18 November 2005	**1,000,000**	**20,000**	-	-
9. Issue of shares on 18 November 2005	**500,000**	**12,500**	-	-
10. Issue of shares on 3 February 2006	**11,500,000**	**172,500**	-	-
11. Issue of shares on 6 February 2006	**6,500,000**	**97,500**	-	-
12. Issue of shares on 24 February 2006	**21,333,333**	**320,000**	-	-
Transaction costs relating to share issues	-	**(37,200)**	-	(120,320)
As at the end of the financial year	**358,938,193**	**16,402,008**	298,104,860	15,404,208

1. On 7 September 2004 the Company completed a placement of shares to sophisticated investors raising $400,000 at 2 cents per share.

2. On 16 February 2005 the Company completed a placement of shares to sophisticated investors raising $1,250,000 at 2.5 cents per share.

3. On 16 February 2005 the Company issued 1,400,000 fully paid ordinary shares at 2.5 cents per share to employees.

4. On 27 June 2005 the Company completed a placement of shares to sophisticated investors raising $522,000 at 1.8 cents per share.

5. On 18 August 2005 the Company issued 500,000 fully paid ordinary shares at 2.5 cents per share to acquire the business and assets of Ambient Advertising.

6. On 29 September 2005 the Company issued 2,000,000 fully paid ordinary shares at 2.5 cents per share to acquire 51% of Black Cat Films Pty Ltd and 51% of Black Cat Films Australia Pty Ltd.

7. On 29 October 2005 the Company completed a placement of 17,500,000 shares to sophisticated investors raising $350,000 at 2 cents per share.

8. On 18 November 2005 the Company completed a placement of 1,000,000 shares raising $20,000 to a sophisticated investor at 2 cents per share.

9. On 18 November 2005 the Company issued 500,000 fully paid ordinary shares at 2.5 cents per share to acquire the remaining 49% of Black Cat Films Pty Ltd.

10. On 3 February 2006 the Company completed a placement of 11,500,000 shares raising $172,500 to sophisticated investors at 1.5 cents per share.

11. On 6 February 2006 the Company completed a placement of 6,500,000 shares raising $97,500 to sophisticated investors at 1.5 cents per share.

17. CONTRIBUTED EQUITY (Continued)

(b) Movements in shares on issue (Continued)

12. On 24 February 2006 the Company completed a placement of 21,333,333 shares raising $320,000 to sophisticated investors at 1.5 cents per share.

(c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. A total of 3,000,000 ordinary shares are held in escrow, of which 2,500,000 ordinary shares are held in escrow until 31 August 2006 and 500,000 ordinary shares are held in escrow until 31 August 2007.

(d) Share options

Details of options outstanding and movements in options during the financial year are set out below:

Options outstanding

	2006 Number of Options	**2006 Weighted Average Exercise Price**	2005 Number of Options	2005 Weighted Average Exercise Price
Balance at beginning of year	**4,550,000**	**$0.07**	5,550,000	$0.07
Granted	**10,000,000**	**$0.025**	-	-
Expired	**(2,250,000)**	**$0.05**	(1,000,000)	$0.06
Balance at end of year	**12,300,000**	**$0.04**	4,550,000	$0.07
Exercisable at end of year	**12,300,000**	**$0.04**	4,550,000	$0.07

Options held at the beginning of the reporting period

Options brought forward at beginning of financial year ended 30 June 2006	Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
Mr. Chris Stecki (former Managing Director)	1,000,000	29 Nov 2001	29 Nov 2001	29 Nov 2006	$0.16
Employees and contractors	3,550,000	16 Jan 2004	16 Jan 2004	16 Jan 2009	$0.05
Total	4,550,000				$0.07

Options granted

Options granted during the financial year ended 30 June 2006	Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
Vendors of Swish Ambient business	4,000,000	18 Aug 2005	18 Aug 2005	18 Aug 2008	$0.025
Employees and contractors	1,000,000	18 Aug 2005	18 Aug 2005	18 Aug 2008	$0.025
Vendors of Swish Black Cat business	2,000,000	29 Sep 2005	29 Sep 2005	29 Sep 2008	$0.025
Vendors of Swish Black Cat business	500,000	18 Nov 2005	18 Nov 2005	29 Sep 2008	$0.025
Employees and contractors	2,500,000	15 Mar 2006	15 Mar 2006	15 Mar 2011	$0.02
Total	10,000,000				$0.024

17. CONTRIBUTED EQUITY (Continued)

(d) Share options (Continued)

Options expiring

Options expiring during the financial year ended 30 June 2006	Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
Employees and contractors	2,250,000	16 Jan 2004	16 Jan 2004	3 Feb 2006	$0.05

No options were issued during the financial year ended or have been issued since 30 June 2006.

Options exercised

No options were exercised during the financial year or until the date of this report.

Options held at the end of the reporting period

Options carried forward at end of financial year ended 30 June 2006	Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
Mr. Chris Stecki (former Managing Director)	1,000,000	29 Nov 2001	29 Nov 2001	29 Nov 2006	$0.16
Employees and contractors	1,300,000	16 Jan 2004	16 Jan 2004	16 Jan 2009	$0.05
Vendors of Swish Ambient business	4,000,000	18 Aug 2005	18 Aug 2005	18 Aug 2008	$0.025
Employees and contractors	1,000,000	18 Aug 2005	18 Aug 2005	18 Aug 2008	$0.025
Vendors of Swish Black Cat business	2,000,000	29 Sep 2005	29 Sep 2005	29 Sep 2008	$0.025
Vendors of Swish Black Cat business	500,000	18 Nov 2005	18 Nov 2005	29 Sep 2008	$0.025
Employees and contractors	2,500,000	15 Mar 2006	15 Mar 2006	15 Mar 2011	$0.02
Total	12,300,000				$0.038

Company Share Option Plan

For further details of the Company Share Option Plan, refer note 22.

Fair value of options

The market value of ordinary shares in The Swish Group Limited closed at 1.4 cents per share on 30 June 2006 (2.3 cents per share on 30 June 2005).

The fair value of each option has been estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used:

	2006	2005
Dividend yield	Nil	Nil
Expected volatility	15%	45%
Historical volatility	15%	45%
Risk-free interest rate	5.500%	5.715%
Expected life of option	5.0 years	5.0 years

The dividend yield reflects the assumption that no dividends will be paid by the Company for the foreseeable future. The expected life of the options is based on the term of the options and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. All options issued to date have vested. Currently the fair values of options are not recognised as expenses in the financial statements. Refer to Notes 18 and 23 of the financial statements for further details.

All options are vested as at the date of grant.

18. ACCUMULATED LOSSES

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Balance at beginning of financial year	(13,408,675)	(11,930,783)	(13,147,877)	(12,179,634)
Net loss for the year	(3,184,472)	(1,477,892)	(2,266,318)	(968,243)
Balance at end of financial year	(16,593,147)	(13,408,675)	(15,414,195)	(13,147,877)

19. RESERVES

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Foreign currency translation reserve				
Balance at beginning of financial year	-	-	-	-
Net movement for the year	(1,465)	-	-	-
Balance at end of financial year	(1,465)	-	-	-

20. MINORITY INTEREST

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Balance at beginning of financial year	(48,849)	(55,287)	-	-
Investment by outside equity interest	-	50,000	-	-
Less: share of operating losses	(4,827)	(43,562)	-	-
Balance at end of financial year	(53,676)	(48,849)	-	-

21. COMMITMENTS

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
(a) Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Premises				
No later than one year	47,915	112,916	47,915	112,916
Later than one year and not later than five years	-	47,915	-	47,915
	47,915	160,831	47,915	160,831
Plant and equipment				
No later than one year	66,661	238,182	6,238	6,238
Later than one year and not later than five years	4,777	124,150	3,639	9,876
	71,438	362,332	9,877	16,114

Operating lease payments are recorded as expense payments. Operating leases relate to the rental of the Company's office premises and equipment primarily involved in the Company's digital signage business.

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
(b) Hire Purchase commitments				
No later than one year	240,435	240,435	62,499	62,499
Later than one year and not later than five years	91,116	331,550	10,417	72,916
Minimum hire purchase payments	331,551	571,985	72,916	135,415
Less future finance charges	(22,328)	(60,312)	(5,162)	(15,925)
Hire purchase liabilities	309,223	511,673	67,754	119,490
Included in the financial statements as:				
Current borrowings (note 15)	220,694	202,450	57,552	51,736
Non-current borrowings (note 15)	88,529	309,223	10,202	67,754
	309,223	511,673	67,754	119,490

Refer note 15 for further details of HP liabilities.

21. COMMITMENTS (Continued)

(c) Deferred consideration

Several of the Company's subsidiary entities have been acquired under agreements which provide for deferred consideration to be paid by the Company, mostly in the form of shares, depending on the financial performance of these subsidiaries in financial years 2007 and, in some cases, 2008. The Company has not made provision for such deferred consideration as the amount of such deferred consideration cannot be quantified at the date of this report.

22. EMPLOYEE ENTITLEMENTS

(a) Share options

Under the Swish Group's Company Share Option Plan for Directors, employees and contractors of the Company under which the Board can issue options at no cash consideration to purchase fully paid ordinary shares in the Company on the basis of one option for one share at an exercise price to be determined by the Board at the time the options are issued. Options will be exercisable from the time of issue and will lapse on the fifth anniversary of the date of grant if they have not been exercised before that time. Options can be issued up to a maximum of 10% of the issued share capital of the Company. The options cannot be transferred and will not be quoted on the ASX. Eligible persons under the Company Share Option Plan are Directors, employees and contractors of the Company. If the Directorship, employment or contract of the participant terminates, the participant may, within 28 days after the date of termination, exercise all or part of those of the participant's options, which the participant is then entitled to exercise. Any option not exercised within that 28 day period will lapse. For details of options outstanding and movements in options during the financial year, refer note 17.

(b) Superannuation commitments

The consolidated entity contributes 9% of employees' wages and salaries to superannuation plans which provide various benefits on retirement, disability or death. Such contributions at the rate of 9% are legally enforceable in Australia.

(c) Employee entitlements

Details of the provision for accrued annual leave are set out in note 16.

23. BUSINESS COMBINATIONS

The Company acquired control over the following entities during the year ended 30 June 2006:

Date	Subsidiary entity	%	Description	Consideration	Goodwill
August 2005	Swish Ambient Pty Ltd	100%	Advertising sales	$12,500	$12,500
September 2005	Swish Black Cat Pty Ltd	51%	Film production	$72,500	$72,500
September 2005	Swish Films Pty Ltd	100%	TV and film production	$Nil	$Nil
October 2005	Swish Ambient New Zealand Limited	51%	Advertising sales	$Nil	$Nil
December 2005	Australian Vision Systems Pty Ltd	51%	Import and supply of audio-visual equipment	$Nil	$Nil
April 2006	Swish Amphead Pty Ltd	51%	Wholesaler of digital online music	$124,000	$124,000

The Company did not acquire any assets or liabilities other than goodwill as a result of these acquisitions. During the year ended 30 June 2006 the Company disposed of its subsidiary entity Kids Connect Pty Ltd for a cash consideration of $50,000.

It is impractical to provide an estimation of revenue and profit (loss) for the period as though they traded for the whole period.

The Company acquired control over the following entities during the year ended 30 June 2005:

Date	Subsidiary entity	%	Description	Consideration	Goodwill
November 2004	Swish Digital Signage Pty Ltd	100%	Location TV networks	$50,000	$50,000

During the year ended 30 June 2005 the parent company lost control of one of its subsidiaries, Planet X Group Pty Ltd, which was placed into voluntary liquidation.

24. CONTINGENT LIABILITIES

The parent company has guaranteed the obligations of its subsidiary entity Swish Afterpost Pty Ltd under a Hire Purchase facility provided by National Australia Bank Limited.

The parent company has guaranteed the obligations of its subsidiary entity Swish Transit Pty Ltd under a contract with Pyrmont Light Rail Company Pty Limited for the supply, installation and maintenance of a visual display system in trams for the entertainment of rail passengers on the Sydney Metro Light Rail system.

The parent company has guaranteed the obligations of its subsidiary entity Swish Transit Pty Ltd under a rental agreement under which equipment is rented from Australian Integrated Finance Pty Limited.

25. SUBSEQUENT EVENTS

The following are significant matters which have arisen post 30 June 2006 that may affect the consolidated entity in financial years subsequent to 30 June 2006:

(a) Share Issues

On the 4 August 2006, the Company issued 33,333,333 fully paid ordinary shares raising $0.4m.

On the 16 August 2006, the Company issued 15,833,334 fully paid ordinary shares raising $0.2m.

(b) Film Production Contract

On the 23 August 2006, it was announced that the Group's Swish Black Cat Films division has been appointed by Indian Film Production Company Yash Raj films to be the Australian Producers for an Indian feature film to be shot in Melbourne and Sydney. The Company currently expects the contract to generate revenue of in excess of $1.6m in the first half of the 30 June 2007 financial year.

The financial effects of the above transactions have not been brought to account at 30 June 2006.

26. AUDITORS REMUNERATION

	Consolidated 2006 $	Consolidated 2005 $	**Company 2006 $**	Company 2005 $
Amounts received or due and receivable by Pitcher Partners for:				
An audit or review of the financial report of the entity and any other entity in the consolidated entity	**41,610**	49,742	**41,610**	49,742
Other services	-	-	-	-
	41,610	49,742	**41,610**	49,742

27. DIRECTORS' AND EXECUTIVES' COMPENSATION

(a) Details of Key Management Personnel

(i) Directors

Mr. Cary Stynes	Managing Director
Mr. Peter Crafter	Finance Director
Mr. Stephen Layton	Non-Executive Director
Mr. William Graham	Non-Executive Director

The Swish Group Ltd did not have any other Key Management Personnel who are not Directors.

There were no changes after the reporting date and the date the financial report was authorised for issue.

(b) Remuneration of Directors

(i) Remuneration Policy

The Board of Directors is responsible for determining and reviewing remuneration arrangements for the Directors. The Board of Directors assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board. Currently remuneration is paid in the form of cash remuneration, superannuation contributions and share options where applicable. The Company paid no bonuses during the financial year ended 30 June 2006. All Directors have the opportunity to qualify for participation in the Company Share Option Plan. The issue of options under this plan is at the discretion of the Board and is not currently based on Company performance. Options are used by the Company as a non-cash form of remuneration and have the objective of aligning employee interests with the objective of increasing shareholder wealth. Any issue of options under the plan to Directors is subject to shareholder approval. No equity-based remuneration was paid to the Directors in the financial year. Non-Executive Directors are not currently remunerated by the Company and do not have formal retainer agreements.

27. DIRECTORS' REMUNERATION (Continued)

(ii) Remuneration of Directors

Directors		Primary Emoluments Base Salary $	Post Employment Superannuation Contributions $	Share-based Number of Options Granted No.	Share-based Value of Options Granted $	Total $
2006						
Mr. Cary Stynes	Managing Director	180,000	-	-	-	180,000
Mr. Peter Crafter	Finance Director	140,000	-	-	-	140,000
Mr. Stephen Layton	Non Executive	-	-	-	-	-
Mr. William Graham	Non Executive	-	-	-	-	-
Total		320,000	-	-	-	320,000
2005						
Mr. Cary Stynes	Managing Director	180,000	-	-	-	180,000
Mr. Peter Crafter	Finance Director	135,617	-	-	-	135,617
Mr. Stephen Layton	Non Executive	-	-	-	-	-
Mr. William Graham	Non Executive	-	-	-	-	-
Total		315,617	-	-	-	315,617

Mr. Stynes' salary included $102,458 (2005: $97,606) of accrued emoluments not paid to him during the financial year.
Mr. Crafter's salary included $20,667 (2005: $nil) of accrued emoluments not paid to him during the financial year

The Swish Group Ltd did not have any other Key Management Personnel who are not Directors.

(c) Remuneration options: granted and vested during the year

No options have been issued to the Directors and no options were issued during the financial year ended 30 June 2006.

(d) Shares issued on exercise of remuneration options

No shares were issued in the financial year ended 30 June 2006 as a result of the exercise of remuneration options (2005: Nil).

(e) Option holdings of Directors

No options have been issued to or are held by Directors.

(f) Shareholdings of Directors

Director	Note	Balance at 1 July 2005 No.	On becoming a Director	Purchased during year No.	Issued during year No.	Sold during year No.	Balance at 30 June 2006 No.
Mr. Cary Stynes	1 & 5	70,420,000	-	345,700	-	-	70,765,700
Mr. Peter Crafter	2	70,420,000	-	100,000	-	-	70,520,000
Mr. Stephen Layton	3 & 4	71,420,000	-	222,664	-	-	71,642.664
Mr. William Graham	6	-	27,346,840	-	-	-	27,346,840
Total		212,260,000	27,346,840	668,364	-	-	240,275,204

Notes

1. Through a 47.5% interest in Media Entertainment Pty Ltd.
2. Through a 5% interest in Media Entertainment Pty Ltd.
3. Through a 47.5% interest in Media Entertainment Pty Ltd.
4. Mr. Layton also has an interest in 1,122,664 shares in the Company through Bodie Investments Pty Ltd.
5. Mr. Stynes also has an interest in 345,700 shares in Company through CPS Holdings Pty Ltd
6. Mr. Graham was appointed a Director on 21 March 2006.

(g) Loans to Directors

There were no loans made to Directors during the financial year and none are outstanding as at the date of this report.

(h) Other transactions and balances with Directors

Loans with Director-related entities

On 1 June 2006 Mr. William Graham made an unsecured, interest-free advance of $20,000 to the Company. The advance is repayable on demand.

Amounts recognised at the reporting date in relation to loans with Director-related entities

Other transactions with Director-related entities

During the financial year ended 30 June 2006 there were no transactions with Director related entities.

Other transactions

There were no other transactions or balances receivable from or payable to the Directors during the financial year or at the date of this report.

28. RELATED PARTY DISCLOSURES

Ultimate parent

The consolidated financial statements include the financial statements of The Swish Group Limited and its controlled entities. The Swish Group Limited is the ultimate parent company. Details of subsidiary entities are set out in note 10.

Inter-group transactions

Loans

The Swish Group Limited provided interest-free loans to fund the operations of its subsidiary entities during the financial year. Balances due from subsidiary entities to the parent entity amounted to $2,300,781 at 30 June 2006 (2005: $1,707,496). Balances due to subsidiary entities by the parent entity were nil at 30 June 2006 (2005: nil).

Other transactions

Inter-company sales amounted to $194,602 for the year ended 30 June 2006 (2005: $176,931). These sales have been eliminated on consolidation.

Transactions with Directors and Director-related entities

Transactions with Directors and Director-related entities are set out in note 27.

29. SEGMENT INFORMATION

The company operates in the digital media industry and operated only in Australia during the period.

30. FINANCIAL INSTRUMENTS

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

(b) Interest rate risk

The interest rate risk of financial assets and liabilities recorded is as follows:

	Average Interest Rate 2006		**Consolidated Amount 2006**	
	Fixed	**Variable**	**Interest Bearing**	**Non-interest Bearing**
Assets				
Cash	**3.26%**	-	**128,877**	-
Receivables	-	-	-	**877,931**
Liabilities				
Trade payables and accruals	-	-	-	**1,494,838**
Hire Purchase liability	**8.60%**		**309,224**	-
Secured loan facility	**9.00%**	--	**270,020**	-

	Average Interest Rate 2005		Consolidated Amount 2005	
	Fixed	Variable	Interest Bearing	Non-interest Bearing
Assets				
Cash	5.20%	-	755,869	-
Receivables	-	-	-	461,074
Liabilities				
Trade payables and accruals	-	-	-	605,485
Hire Purchase liability	8.60%		511,673	-
Secured loan facility	9.00%	--	150,000	-

(c) Credit Risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the consolidated entity.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts of those assets, as disclosed in the Balance Sheet and Notes to the Financial Statements.

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

(d) Fair Values

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Balance Sheet and Notes to the Financial Statements.

31. FIRST TIME ADOPTION OF AIFRS

For all periods up to and including the financial year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice (**AGAAP**). These financial statements for the financial year ended 30 June 2006 are the first that the Group is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (**AIFRS**).

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 1. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time adoption of AIFRS.*

Changes in Accounting Policy Arising on First-Time Adoption of AIFRS

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Set out below are the areas impacted upon adoption of AIFRS:

(a) Share based payments

Under AASB 2 Share based Payments, the Company is required to determine the fair value of equity settled transactions and recognise an expense in the Income Statement. Share-based payments to directors and other employees should also be expensed under AIFRS.

On first-time adoption of AIFRS retained earnings at 1 July 2004 and reported results for the financial year to 30 June 2005 have been adjusted for all share-based payments granted after 7 November 2002, which did not vest prior to 1 January 2005.

(b) Goodwill

Goodwill on consolidation has been recalculated to derecognise intangible assets acquired that do not meet the identifiability criteria under AIFRS, and to recognise deferred tax liabilities at the acquisition date under the balance-sheet method. In accordance with AASB 1, amortisation of goodwill ceased on first-time adoption of AIFRS at 1 July 2004. The carrying amount of goodwill as previously reported under AGAAP at 30 June 2004 is subject to impairment testing from that date. On adoption of AIFRS, reported results for the half- financial year to 30 June 2005 have been adjusted for amortisation charges from 1 July 2004. Amortisation charges prior to 30 June 2004 may not be reversed under the first-time adoption provisions.

(c) Impairment of assets

Under AIFRS the recoverable amount test under the previous AGAAP is replaced by impairment testing whereby the recoverable amount is determined as the higher of fair value less costs to sell and value in use. Value in use incorporates the use of discounted cash flows.

On adoption of AIFRS, goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

(d) Income taxes

Under AIFRS a balance sheet approach has been adopted under which temporary differences are identified for each asset and liability rather than accounting for the effect of timing and permanent differences between taxable and accounting profit. A future income tax benefit is recognised for tax losses where their realisation is considered probable. On first-time adoption of AIFRS, adjustments to the provision for deferred tax have been recognised for asset revaluations and foreign currency exchange provisions.

(e) Financial instruments

The entity previously measured all investments at fair value and recognised gains and losses in the asset revaluation reserve. On first-time adoption of AIFRS investments that are listed on a recognised securities exchange have been designated as fair value through profit and loss and therefore the balance in the revaluation reserve relating to these investments has been transferred to retained earnings. Investments that are not listed on a recognised securities exchange have been restated at cost and the balance in the revaluation reserve relating to these investments has been written back.

31. FIRST TIME ADOPTION OF AIFRS (Continued)

Reconciliation of Equity Reported Under AGAAP to Equity Under AIFRS

Set out below is a reconciliation of total equity as reported in the balance sheets at 1 July 2004 (the date of transition to AIFRS) and 30 June 2005, adjusted to comply with AIFRS:

	30 June 2005	1 July 2004
	$	$
Total equity under AGAAP	1,911,315	1,331,457
Adjustments to retained earnings (net of tax)		
Write-back of goodwill amortisation	35,369	-
Total equity under AIFRS	1,946,684	1,331,457

Reconciliation of Net Loss Reported Under AGAAP to Net Loss Under AIFRS

Set out below is a reconciliation of the net loss for the year ended 30 June 2005, adjusted to comply with AIFRS:

	Year ended 30 June 2005
	$
Net loss as reported under AGAAP	(1,556,823)
Write-back of goodwill amortisation	35,369
Net loss after tax under AIFRS	(1,521,454)

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

THE SWISH GROUP LIMITED
DIRECTORS' DECLARATION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

The directors declare that the financial statements and notes of the Company and of the consolidated entity in accordance with the Corporations Act 2001:

(a) Comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) Give a true and fair value of the financial position of the Company and of the consolidated entity as at 30 June 2006 and of their performance as represented by the results of their operations and cash flows for the financial year ended on that date; and

(c) That the directors have been given the declaration required under section 295A of the Corporations Act 2001.

In the directors' opinion there are reasonable grounds to believe that The Swish Group Ltd will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2006.

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

Gary P. Stynes
Managing Director

Melbourne
22 September 2006

PITCHER PARTNERS

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
THE SWISH GROUP LIMITED

Scope

We have audited the financial report of The Swish Group Ltd and controlled entities for the financial year ended 30 June 2006 comprising of the Directors' Declaration, Income Statement, Balance Sheet, Statement of changes in equity,, Statement of Cash Flows and notes to the financial statements.

The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's and consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of The Swish 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 year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 1 (c) to the financial statements, going concern basis of accounting, the operations of the company and the consolidated entity for the year ended 30 June 2006 were funded out of revenues, the proceeds of new share issues and loan facilities provided by third parties. Without continued access to sources of finance such as these, there is uncertainty as to whether the company or the consolidated entity will be able to continue as a going concern and it may become necessary for it to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

The financial report has been prepared on a going concern basis as the directors believe that the company has access to sufficient funds to enable the company and the consolidated entity to continue to pay its debts as and when they fall due.

Dated at Melbourne on 22 September 2006

Pitcher Partners

PITCHER PARTNERS

M W PRINGLE
Partner

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 11 September 2006.

(a) Distribution of Equity Securities

The number of shareholders, by size of holding, in each class of share are:

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	271	162,792
1,001 - 5,000	543	1,500,838
5,001 - 10,000	148	1,156,452
10,001 - 100,000	327	12,868,335
100,001 and over	209	392,416,443
	1,498	408,104,860
Holdings less than a marketable parcel	1,181	7,436,371

(b) Twenty Largest Holders

The names of the twenty largest holders of quoted shares are:

	Name	Listed Ordinary Shares Number of Shares	Percentage of Ordinary Shares
1	Media Entertainment Pty Ltd*	70,520,000	17.28%
2	Serec Pty Ltd	25,000,000	6.13%
3	Stebur Investments Pty Ltd*	21,000,000	5.15%
4	Pierce CIM Pte Limited	18,066,667	4.43%
5	Challand Pty Ltd	16,700,000	4.09%
6	Mr Frank Hudson	16,655,700	4.08%
7	Rod Investments Pty Ltd	13,436,592	3.29%
8	Equity Trustees Limited	11,600,000	2.84%
9	Aurisch Investments Pty Ltd	8,884,908	2.18%
10	ANZ Nominees Limited	8,333,333	2.04%
11	Mr. John Ernest Lynch	8,000,000	1.96%
12	E & D Gronow Nominees Pty Ltd	7,500,000	1.84%
13	Mr. Ying Kay Wong	7,090,607	1.74%
14	Brilla Pty Ltd	6,500,000	1.59%
15	Mr. Robert Christopher Reeves	6,500,000	1.59%
16	Xerts Hotel Technology Pty Ltd	6,000,000	1.47%
17	Mr. David McLauchlan	5,993,389	1.47%
18	Cosmick Pty Ltd*	5,992,140	1.47%
19	Erebon Pty Ltd	5,000,000	1.23%
20	Trayburn Pty Ltd	4,166,667	1.02%
	Total	272,940,003	66.89%

* Associated with Directors

(c) Substantial Shareholders (greater than 5%)

The names of substantial holders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Ordinary Shareholders	Ordinary Shares Number	Percentage
Media Entertainment Pty Ltd*	70,520,000	17.28%
William Gerard Graham*	27,346,840	6.70%

* Associated with Directors

(d) Voting Rights

All ordinary shares carry one vote per share without restriction.

(e) Options

The following options are outstanding:

Options carried forward at end of financial year ended 30 June 2006	Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
Mr. Chris Stecki (former Managing Director)	1,000,000	29 Nov 2001	29 Nov 2001	29 Nov 2006	$0.16
Employees and contractors	1,300,000	16 Jan 2004	16 Jan 2004	16 Jan 2009	$0.05
Vendors of Swish Ambient business	4,000,000	18 Aug 2005	18 Aug 2005	18 Aug 2008	$0.025
Employees and contractors	1,000,000	18 Aug 2005	18 Aug 2005	18 Aug 2008	$0.025
Vendors of Swish Black Cat business	2,000,000	29 Sep 2005	29 Sep 2005	29 Sep 2008	$0.025
Vendors of Swish Black Cat business	500,000	18 Nov 2005	18 Nov 2005	29 Sep 2008	$0.025
Employees and contractors	2,500,000	15 Mar 2006	15 Mar 2006	15 Mar 2011	$0.02
Total	12,300,000				$0.05