Jumbuck Entertainment Ltd

ABN 69 092 817 171

Appendix 4E
Full year report

Information for the full-year ended 30 June 2006 given to ASX under listing rule 4.3A
(Comparative information is for the full-year ended 30 June 2005)

Pursuant to listing rule 4.3A.3, the following information is given to the ASX by **Jumbuck Entertainment Ltd** ("Jumbuck"). The following information should be read in conjunction with the attached annual financial report together with any public announcements made by Jumbuck and its controlled entities during the year ended 30 June 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001. Accounting policies, estimation methods and measurement bases used in this Appendix 4E are the same as those used in the last annual report and the last half-year report.

Results for announcement to the market

The Board of Jumbuck is pleased to report on the second full year results for the period from 1 July 2005 to 30 June 2006 ("FY2006"). FY2006 saw Jumbuck continue its growth path and achieve record profitability. Management focus during this period has been to pursue organic growth and seek suitable acquisitions to achieve stated objectives which were annunciated at the 2005 AGM.

In FY2006, Jumbuck reported healthy growth in sales revenue and net profit after tax which has largely been as a result of organic growth. The Board is pleased that Jumbuck was also successful in securing its first acquisition in FY2006. Based in Germany, the Wap3 Community business is important to Jumbuck as it expands the geographical reach of Jumbuck to now include Europe, Eastern Europe, Russia and South America. This gives Jumbuck a far-reaching global distribution network of over 70 carriers.

The focus for the Jumbuck team in FY2007 will be the integration of the recent acquisition and to derive the revenue synergies/growth opportunities which combining the businesses of Jumbuck and the recent acquisition offers the Group. The Group will continue to pursue acquisitions in the mobile community and related services.

Key Highlights

- Sales revenue up 59.3%
- EPS up 49.2%
- EBITDA up 71.6%
- EBIT up 76.2%
- NPAT up 59.1%
- Operating cashflow strong at $6.3 million
- Acquisition of Wap3 Community business
- Increased number of unique users to over 14.5 million
- Successfully signed significant new carriers including T-Mobile UK (16 million users) and Virgin USA (4 million users and fastest growing prepaid user base in USA).

Key Jumbuck Performance Statistics

12 months ending	June 2006	June 2005	Change (%)
	$'000s	$'000s	
Revenue			
• Sales revenue	11,246	7,059	▲59.3
• Other revenue	377	239	▲57.7
Total revenue	**11,623**	**7,293**	**▲59.4**
EBITDA	6,320	3,683	▲71.6
Less Depreciation	148	89	n/a
Amortisation	692	484	n/a
EBIT	5,480	3,110	▲76.2
Less Interest	261	65	n/a
Net profit(loss) before tax attributable to members	5,741	3,175	▲80.8
Income tax benefit/(expense)	(1,441)	(473)	n/a
Net profit(loss) after tax attributable to members	4,300	2,702	▲59.1
	Cents	**Cents**	
Earnings per share (basic) (cents)	9.4	6.3	▲49.2
NTA per share (cents)	14.6	9.8	▲49.0

Customers

During the year, Jumbuck has secured significant new customers as well as signing new contracts with existing customers. This has resulted in sales revenue increasing by 59.3% to $11.2 million. The increase in revenue reflects the robustness of the business model.

Dividends

No dividends have been declared for FY2006 and as such there is no dividend reinvestment plan in operation.

Change to capital

During the twelve months, 2.1 million options were exercised to convert into ordinary shares. These options provided additional cash to Jumbuck of in excess of $1.275 million. These funds were to be utilized for working capital and funding future acquisitions. A further 2.6 million options were granted to executives and European employees during FY2006.

In addition, in May 2006, a placement of 3 million shares was undertaken to professional and sophisticated investors at an issue price of $1.90 per share.

Share Statistics (at 30 June each year)	*2006*	*2005*
Total shares on issue – millions	48.26	43.16
Closing share price ($)	2.37	0.80
Market capitalisation ($ million)	114.38	34.53

Controlled entities

During FY2006, Jumbuck acquired the wap3 Community Business in Germany. As a result of this acquisition, Jumbuck International Pty Ltd, Jumbuck Community GmbH and Community Development and Support Ltd, all controlled entities, were acquired.

There are no other entities over which control has been gained or lost nor any associates and joint venture entities.

Subsequent events
There has not been any matter or circumstance, other than that referred to in the attached financial statements or notes thereto, that has arisen since the end of FY2006 which has significantly affected, or may significantly affect, the operations of Jumbuck, the results of those operations, or the state of affairs of Jumbuck of future financial years.

Outlook
The Board expects that the financial performance of Jumbuck will continue to improve in FY2007. Jumbuck will continue to focus on organic growth, growth via acquisitions and the introduction of new and improved products.

Over the next 12 months Jumbuck will concentrate on growing and strengthening the business in its specialist market to continue the momentum created over the past two years. In FY2007, Jumbuck will invest in key areas to maximise future revenue streams, grow its market position and increase shareholder returns.

Jumbuck will continue to focus on managing its cost base in 2007 and will start to get the benefit from the additional resources taken on in the second half of 2006. All business units are expected to report growth in 2007.

Accordingly, the Board expects the underlying profit for FY2007 will be improved on FY2006.

This report is based on the attached full year financial report which has been subject to an audit. The financial report contains:
- *A statement of financial performance together with the notes to the statement prepared in compliance with Accounting Standards*
- *A statement of financial position together with notes to the statement*
- *A statement of cash flows together with notes to the statement*
- *A statement of retained earnings showing movements*

The financial statements are not subject to any audit dispute or qualifications.
The Company has a duly constituted audit committee.

For and on behalf of the Board

Paul G Choiselat
Managing Director
29 August 2006

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About Jumbuck Entertainment Ltd
Jumbuck Entertainment Ltd (ASX: JMB) is an Australian-based mobile content company that focuses on the provision of community based applications to wireless carriers. The Company provides a large community (approximately 14.5 million users across its services) on a 24-7 basis to maximise user interaction and allows integration of carriers globally. Jumbuck also provides carriers with monitoring of chat services to ensure safety of users. Jumbuck deals directly with over 70 carriers in USA, Canada, South America, Europe, Middle East, Australia, New Zealand and Asia. Jumbuck listed on the Australian Stock Exchange in August 2004. For further information please see our website: www.jumbuck.com

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Financial Summary and Ratios

	2006	2005
	$'000	$'000
Sales & Profitability		
Sales revenue	11,246	7,059
Other revenue	377	239
Total EBITDA	6,320	3,683
Net profit before tax	5,741	3,175
Net profit after tax	4,300	2,702
Cash Flow		
Gross operating cash flow	6,331	2,436
Financial Position		
Current assets	8,574	4,843
Current liabilities	2,175	624
Net debt	0	0
Net tangible assets	7,064	4,242
Total equity	16,527	5,150
Per Share Performance	**Cents**	**Cents**
Earnings per share (cents)	9.4	6.3
NTA per share (cents)	14.6	9.8
Share Statistics (at 30 June each year)		
Total shares on issue – millions	48.26	43.16
Closing share price ($)	2.37	0.80
Market capitalisation ($ million)	114.4	34.5
Key Ratios	**%**	**%**
EBITDA/Sales	56.2	52.2
EBIT/Sales	48.7	44.1
NPAT/Sales	38.2	38.3

JUMBUCK ENTERTAINMENT LTD

2006 FINANCIAL REPORT

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2006 Financial Report

This 2006 Financial Report is a concise summary of our activities and financial position.

In the 2006 Financial Report, the expression "JMB" refers to Jumbuck Entertainment Ltd and its controlled entities.

Reference in this Report to a "year" is to the financial year ended 30 June 2006 unless otherwise stated. All figures are expressed in Australian currency unless otherwise stated.

Revenues and expenses are recognised net of the amount of Goods and Services Tax.

A glossary of terms used in this Report is contained at the end of this document.

Jumbuck Entertainment Ltd ABN 69 092 817 171

Message from the Chairman

Dear Fellow Shareholder

The Board of Jumbuck Entertainment Ltd ("Company") is pleased to present to shareholders the second Annual Report of the Company and its subsidiaries, covering the financial year ended 30 June 2006.

Your Board's basic management philosophy is to improve enterprise value defined as the sum of all stakeholder value. Specifically, this means returning profits to shareholders, ensuring customers are satisfied with our services, maintaining a win-win relationship with suppliers, forming a positive relationship with employees, and providing society with valuable communication tools. In short, we place great emphasis on developing a relationship of trust with all of our stakeholders.

In the year ended 30 June 2006, all aspect of the business contributed strongly to the overall positive result. During the year the Company acquired the community business of wap3 Technologies GmbH. This acquisition strengthens the community business operated by Jumbuck and expands the number of users to over 14.5 million users worldwide and over 70 telecommunication carriers. The operating results for the year incorporate the results of this acquisition from 1 June 2006.

The Board acknowledges with thanks the very considerable effort of senior management and staff in taking the Group through its first full financial year as a publicly listed entity. The results for this period are a credit to the whole team and a reflection of their commitment and dedication to the achievement of Group strategy.

The Board was pleased to announce in June 2006 the appointment of Olivia Hilton as Chief Executive of the Group, following the Board's acceptance of Adrian Risch's request that he move to Europe to take the role of Managing Director Europe from 1 June 2006.

In anticipation of his decision to move, the Board pursued its succession plan and looked to the COO Ms Hilton as Adrian's natural successor. She has been with Jumbuck for 3 years and has worked closely with Mr Risch. The Board recognised that Ms Hilton's impressive track record and her demonstrated leadership skills, inclusive management style and experience with global carriers, would build on the successful vision and strategy of Adrian Risch.

Adrian Risch has, of course, made a unique contribution to Jumbuck since he founded it in 2000. It was his outstanding leadership and strategic vision which underpinned the Company's successful growth strategies. Mr Risch will also continue as a Director of the Company.

Your Board and management recognizes that achieving sustained sales growth, and consistently booking profits, is essential to maintaining an advantage over the competition as the business environment rapidly changes. We are focused on increasing operating income, and improving our EBITDA margin for this current and future years.

Kevin V. Campbell AM
CHAIRMAN

Managing Director's Report

Year in Review

Jumbuck's second year as an ASX listed company continued its growth path and achieved record profitability. Management focus during this period has been to pursue organic growth and seek suitable acquisitions to achieve stated objectives which were annunciated at the 2005 AGM.

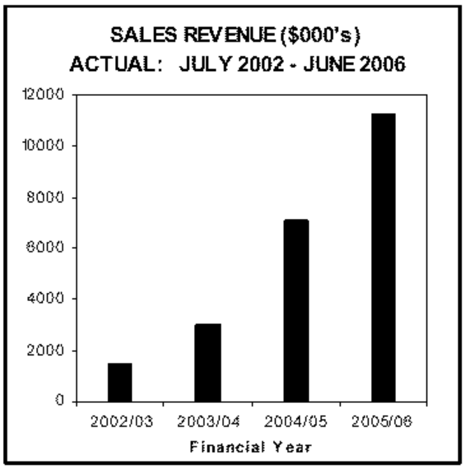
In FY2006, Jumbuck reported healthy growth in sales revenue and net profit after tax which has largely been as a result of organic growth. I am greatly pleased that Jumbuck was also successful in securing its first acquisition in FY2006.

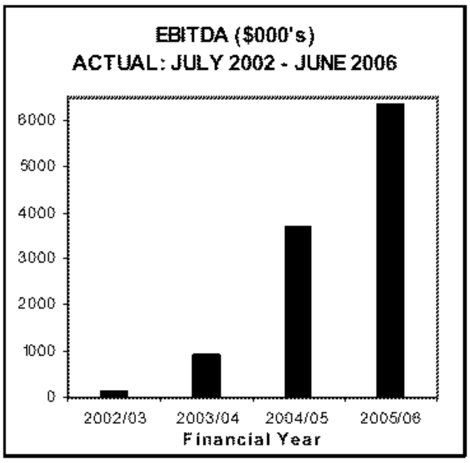
Based in Germany, the Wap3 Community business is important to Jumbuck as it expands the geographical reach of Jumbuck to now include Europe, Eastern Europe, Russia and South America. This gives Jumbuck a far-reaching global distribution network of over 70 carriers.

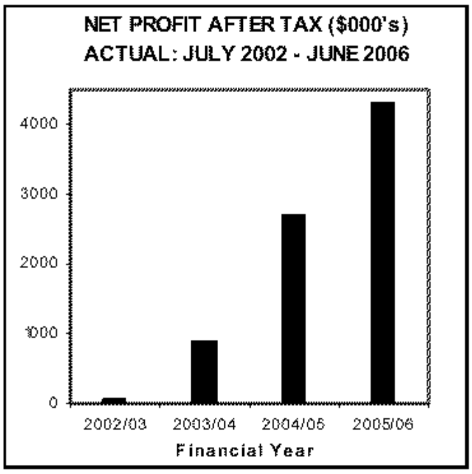
The focus for the Jumbuck team in FY2007 will be the integration of the recent acquisition and to derive the revenue synergies/growth opportunities which combining the businesses of Jumbuck and the recent acquisition offers the Group. The Group will continue to pursue acquisitions in the mobile community and related services.

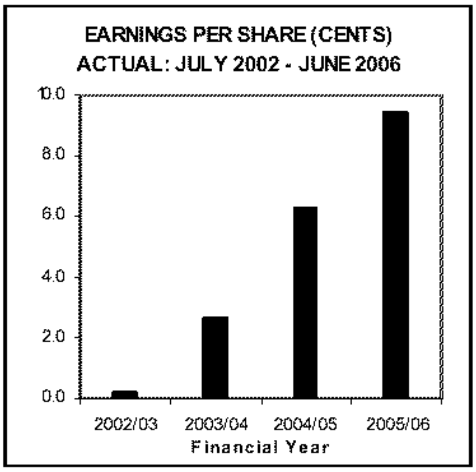
	2005/06 $000	2004/05 $000	Change %
Revenue			
Sales Revenue	11,246	7,054	59.3
Other Revenue	377	239	57.7
Total Revenue	11,623	7,293	59.4
EBITDA	6,320	3,683	71.6
Less: Depreciation	(148)	(89)	
Amortisation	(692)	(484)	
EBIT	5,480	3,110	77.5
Less: Interest	261	65	
Net Profit Before Tax	5,741	3,175	80.8
Income Tax Benefit/(Expense)	(1,441)	(473)	
Net Profit After Tax	4,300	2,702	51.9
EPS	9.4	6.3	49.2

Managing Director's Report (cont)









I take this opportunity to thank the Jumbuck team (including the former Wap3 employees who now form part of the Jumbuck team) for their relentless efforts in FY2006. Special thanks to Adrian Risch who led the team as CEO until May 2006 when he chose to relocate to Germany to take the new role of Managing Director Europe. I also thank Olivia Hilton who was promoted from COO to replace Adrian as CEO in June 2006.

Congratulations to the team on your achievements in FY2006

Paul G Choiselat
Managing Director

Corporate Governance Statement

In March 2003, ASX published the ASXBPR for listed companies to adhere. These recommendations are guidelines designed to produce an efficiency, quality or integrity outcome. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to follow it. When a company has not followed all the recommendations, the annual report must identify which recommendation has not been followed and give reasons for not following them. In this respect, the Directors have evaluated with due care the situation of JMB and have strived to comply, to the best possible extent, the guidelines laid down.

Without doubt, the Directors recognise the need for a high standard of behaviour and accountability and accordingly support good corporate governance practices. In general, the Board considers that adequate measures have been taken in the areas of board structure and responsibility definition, timely and adequate disclosure for the best interests of shareholders, minimizing risk by reinforcing internal controls as well as overall compliance with the ASX Listing Rules.

On self-evaluation of the extent to which JMB has followed the ASXBPR, the Board is of the opinion that, subject to certain departures which not justified for adoption due to the particular circumstances of JMB, our policies and practices are in compliance with the ASXBPR. Details have been included at the end of this statement setting out the ASXBPR with which JMB has not complied in this reporting period.

JMB Board of Directors
To comply with the ASXBPR, JMB has established clear guidelines to distinguish between the roles of the Board and that of management.

In essence, the Board is responsible for the overall strategic planning and decision making of the Company as a whole and answerable to the shareholders for the business performance of Jumbuck and its controlled entities. Management on the other hand is delegated with all the functions in relation to the day-to-day operations of JMB and is accountable to the Board in this respect.

The Board of Directors is responsible for protecting the rights and interests of members and is accountable to them for the overall management of JMB. The Board has the overall responsibility for the governance of JMB, including

- Setting strategies, directions and establishing goals for the Group;
- The monitoring of performance against these goals and objectives;
- Oversight of JMB including control and accountability systems;
- Ensuring there are adequate internal controls and ethical standards of behaviour;
- The review of the Managing Director and Key management personnel performance, conduct and reward;
- The monitoring of the major risks of JMB's business and ensuring there are appropriate policies and procedures to satisfy its legal and ethical responsibilities;
- The approval and monitoring of financial and other reporting;
- Approving all mergers and acquisitions;
- Reviewing the annual progress and performance of JMB in meeting the objectives of the Group, including reporting the outcome of such reviews;
- Establishing and determining the powers and functions of the committees of the Board;
- The review and approval of the major operational and capital expenditure plans established by the management team, and
- The monitoring of performance against those plans.

Board structure
Jumbuck recognises the need to have a board of the appropriate composition, size and commitment with an appropriate range of expertise, skill, knowledge and vision to enable it to operate the Company's business with excellence. With this objective in mind, our board is structured to consist of five (5) Directors of which three (3) are independent Non-Executive Directors including the Chairman.

The composition of the Board is determined by Jumbuck using the following principles:

- The Board should comprise at least 3 Directors. This number may be increased where it is felt that additional expertise is required in specific areas
- The Chairman of the Board is an independent Non-Executive Director

- The Board comprises a majority of Non-Executive Directors with at least 50% of the Board being independent Non-Executive Directors
- The Board has enough Directors to serve on various committees of the Board without overburdening the Directors or making it difficult for them to fully discharge their duties
- The Board comprises Directors with a broad range of expertise both nationally and internationally

Details of the Directors are found in the Directors' Report. The Board has significant experience in various fields, including funds management, media, telecommunications, financial markets and accounting. During FY2006, the Board met eleven times.

The Board's composition of 5 Directors is considered an appropriate size for the Company at its present stage of development and given the breadth of its membership, most issues can be decided at Board level without the need for separate committees such as a nomination committee. The full Board incorporates the responsibilities of the Nomination Committee. It has the responsibility for reviewing the composition of the Board and recommending new nominees for membership of the Board, should the need arise. The selection of Directors must be approved by the majority of shareholders at the next AGM.

The Chairman reviews the performance of all Directors each year. Directors whose performance is unsatisfactory are asked to retire. To date, no Director has been asked to retire for unsatisfactory performance.

Each year the Board conducts an evaluation review of the Directors. The review is carried out by a review as a whole of a Director's attendance at and involvement in Board meetings, their performance and other matters identified by the Board or other Directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a Director's performance.

The Board assesses the independence of Directors as appropriate. In considering whether a Director is independent, the Board has regard to the independence criteria in ASXBPR Principle 2 and other facts, circumstances and information the Board considers relevant.

Director Education
Directors of JMB have the opportunity to (and are encouraged to) visit the business offices of JMB and meet with management to gain a better understanding of business practices.

Committees of the Board
To assist in the execution of its corporate governance responsibilities, the Board has established three committees, the Audit Committee, the Remuneration Committee and the Corporate Governance Committee. Requirements for Board committees are reviewed regularly. All committees operate principally in a review or advisory capacity, except in cases where powers are expressly conferred on or delegated to a committee by the Board. A set of standing rules for Committees has been adopted by the Board and a copy is available on the Jumbuck website at www.jumbuck.com

Audit Committee
The Board has established an Audit Committee that operates under a charter approved by the Board. 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.

This includes the safeguarding of assets, the maintenance of proper accounting records, the monitoring of risks and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the economic entity to the Audit Committee. The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial statements.

The Committee comprises two Non-Executive Directors and the Managing Director. Non-Executive Director membership is reviewed at three-yearly intervals. The members of the Audit Committee during the year were Jeffrey Kennett (Chair), Kevin Campbell and Paul Choiselat. Full details and qualifications of the members are contained in the Directors' Report. All members are experienced in executive management, public company management and finance. The Chair of the Audit Committee is not the chairman of the Board. The external auditors, the CEO and CFO are invited to Audit Committee meetings at the discretion of the Committee. The Committee met two times during the year. Attendance at the meetings is set out in the Directors' Report.

The Audit Committee is also responsible for directing and monitoring the internal audit function, nomination of the external auditor, monitoring the independence of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit or review. The Committee reviews the performance of the external auditors on an annual basis and meets regularly with them during the year. The Audit Committee also conducts an annual review of its processes to ensure it has carried out its functions in an effective manner.

Remuneration Committee
The Remuneration Committee is responsible for reviewing the remuneration of Directors and senior management, evaluation of senior management and makes recommendations to the Board on these matters. This role also includes responsibility for recommendations to the Board on share and option schemes, incentive performance packages, superannuation entitlements, fringe benefits policies and professional indemnity and liability policies. A copy of the Remuneration Committee Charter is available on the Jumbuck website at www.jumbuck.com

Remuneration levels are competitively set to attract the most qualified and experienced Directors and key management personnel. The Committee obtains independent advice on the appropriateness of remuneration packages. The Committee comprises Kevin Campbell (Chair), Bruce Bennie and Paul Choiselat. The Committee met two times during the year. Attendance at the meetings is set out in the Directors' Report.

Details of the amount of remuneration, and all monetary and non-monetary components, for each of the 5 highest-paid (non-Director) executives and all Directors during the year ending 30 June 2006 are contained in Table A in the Remuneration Report. Termination entitlements for key management personnel, if any, are also contained in Table A.

Non-Executive Directors are remunerated by way of fees and are not provided with retirement benefits.

Corporate Governance Committee
The Corporate Governance Committee is responsible for reviewing the corporate governance policies and procedures. The Committee conducts or facilitates to conduct formal annual reviews of the internal guidelines relating to corporate governance, Board operation and membership and committee structures. This process ensures not only that the functions of board and management are clearly defined and understood but also that JMB's Board procedures are continually reviewed and the highest standards of performance are maintained.

The Committee comprises Kevin Campbell (Chair), Jeffrey Kennett and Paul Choiselat. The Committee did not meet during the year but corporate governance matters were discussed at full board meetings on a number of occasions. Attendance at the meetings is set out in the Directors' Report.

Access to Independent Professional Advice
The Directors, the Board and the Board Committees are empowered to seek external professional advice, as considered necessary, at JMB's expense, subject to prior consultation with the Chairman. If appropriate, any advice so received will be made available to all Directors.

Access to Information
Directors are entitled to obtain access to company employees, documents and information.

Risk Management
The Board has in place a number of arrangements and policies intended to identify and manage areas of significant strategic or financial business risk. These include the maintenance of:

- procedures to consider and approve the strategic direction of the Group;
- detailed and regular budgetary, financial and management reporting;
- procedures to manage financial and operational risks;
- established organisational structure, procedures, manuals and policies;
- comprehensive insurance and risk management programs; and
- the retention of specialised staff and external advisers.

The program is designed to provide an enterprise wide risk management methodology which incorporates risk identification, analysis, assessment, treatment and monitoring/review of a wide range of risk and compliance issues including external environment, process risk and decision making risks.

The Board receives regular reports about the financial conditions and operating results of JMB. The CEO and CFO annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- JMB's financial reports present a true and fair view of JMB's financial condition and operational results and are in accordance with relevant accounting standards; and
- JMB's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

The Board ensures the establishment of a framework for management including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based upon written procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility, a program of internal audit and the careful selection and training of qualified personnel

Ethical Standards

The Directors acknowledge the need for and continued maintenance of the highest standards of corporate governance practices and ethical conduct by all Directors and employees of JMB. All Directors, Executives and employees are expected to act with the utmost integrity and objectivity in their dealings with each other, competitors, suppliers, customers, and the community, aiming at all times to enhance the reputation and performance of JMB.

JMB has adopted a Code of Conduct which sets standards of behaviour required of all employees including:

- to act properly and efficiently in pursuing the objectives of JMB;
- to avoid situations which may give rise to a conflict of interest;
- to know and adhere to JMB's policies;
- to maintain confidentiality in the affairs of JMB and its customers;
- to be absolutely honest in all professional activities.

These standards are regularly communicated to staff and Directors and are accepted and agreed to by all. A copy of the code of conduct is available on the Jumbuck website at www.jumbuck.com

Political contributions as a rule are not allowed by JMB. Sponsorships undertaken by JMB are aligned with the achievement of corporate objectives.

In accordance with the Constitution and the Corporations Act 2001, Directors disclose to the Board any material contract in which they may have an interest. In compliance with section 195 of the Corporations Act 2001 any Director with a material personal interest in a matter being considered by the Board will not be present when the matter is being considered and will not vote on the matter.

Dealings in JMB securities

JMB has a share trading policy in place, which regulates the trading of shares in JMB by Directors and employees. A copy of the share trading policy is available on the Jumbuck website at www.jumbuck.com

Continuous Disclosure

Procedures and practices are in place to ensure compliance with the continuous disclosure requirements of the ASX Listing Rules. Continuous disclosure involves the timely announcement of information to keep the market informed of material events and developments as they occur.

Once the Board becomes aware of information concerning JMB that would be likely to have a material effect on the price or value of JMB's securities, the Board ensures that the information is released to the ASX.

The Company Secretary must ensure that information for release to the market is not released to any other person until JMB has given the information to the ASX and has received an acknowledgement that the ASX has released the information to the market.

A communication policy has been adopted by the Board and a copy is available on the Jumbuck website at www.jumbuck.com.

Shareholders
The Board aims to ensure that shareholders are kept informed of all major developments affecting Jumbuck. Information is communicated to shareholders as follows:

- regular announcements are made to the ASX, including half-year reviewed financial report and year end audited annual report;
- continuous disclosure releases made to the ASX;
- information is posted to the JMB website;
- the Board ensures the annual report includes relevant information about the operations of JMB during the year, changes in the state of affairs and details of future developments;
- the Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification of JMB's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to JMB; and
- the external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the contents of the Auditor's Report.

Interests of stakeholders
JMB acknowledges the obligation it has towards stakeholders such as shareholders, customers, employees, suppliers and the community it serves. To fulfill its obligations, JMB strives to observe the laws, act in the best interests of shareholders, manage the Company's assets properly, act in a highly professional way and promote a good corporate image among the industry and potential users.

Privacy
JMB has developed and introduced a privacy policy following the implementation of the Privacy Act in December 2001 which deals with

- collection of information
- disclosure of information
- storage of information
- security
- access to and correction of information.

Environment
The Board considers that responsible environmental management is important in JMB's business and as a result, in the last year, JMB had undertaken projects in an effort to reduce our environmental impact. Areas that have been concentrated on are the reduction of energy consumption; the minimisation of waste; and increasing our recycling efforts.

Registry
Computershare Investor Services Pty Limited is JMB's security register manager and holds all shareholder records electronically. Computershare are also responsible for the maintenance of shareholder records.

ASX Best Practice Recommendations
Pursuant to the ASX Listing Rules, JMB advises that it does not comply with the following ASXBPR. Reasons for JMB's non-compliance are as detailed below.

Recommendation 2.4	The Board should establish a Nomination Committee	The functions to be performed by a nomination committee under the ASXBPR are currently performed by the full Board. Having regard to the number of members currently comprising the Board, the Board does not consider it necessary to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to JMB's circumstances
Recommendation 4.3	Structure the Audit Committee so that it consists of only Non-Executive Directors	The Audit Committee currently comprises 2 Non-Executive Directors and the Managing Director. Having regard to the number and expertise of members currently comprising the Board, the Board does not consider it appropriate to exclude the Managing Director. However, the non-executive members of the Audit Committee are provided with an opportunity to meet with the external auditors without the Managing Director and management. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to JMB's circumstances

Remuneration Report

This Remuneration Report forms part of the Directors' Report and outlines the remuneration arrangements for executives and employees of Jumbuck Entertainment Ltd, including key management personnel in accordance with relevant accounting standards and Section 300A of the Corporations Act.

Remuneration Committee

Role

The membership, responsibilities, authority and activities of the Remuneration Committee are set out in the Remuneration Committee charter, which has been approved by the Board. A full copy of the charter is available on the Group's website at www.jumbuck.com

The responsibilities of the Remuneration Committee are to:

- monitor, review and recommend to the Board, as necessary and appropriate:
    - the remuneration, superannuation and incentive policies and arrangements for the Managing Director and Chief Executive Officer and for key management personnel (ie. those executives who report directly to the Managing Director and Chief Executive Officer);
    - the remuneration arrangements for Non-Executive Directors on the Board *(as listed below)*;
    - the recruitment, retention and termination policies and procedures for key management personnel; and
    - key appointments and executive succession planning (including one or more reports and presentations to the Board each year);
- oversee the Group's general remuneration strategy; and
- monitor the Group's culture and reputation and review behavioural standards on a regular basis, and report and submit recommendations to the Board.

The Remuneration Committee has delegated authority from the Board to consider and recommend to the Board:

- changes to the factors regarding the measurement of short-term performance, which impact incentives and the general employee share offer;
- incentive pool amounts;
- offers under existing share, performance option and performance rights plans, including setting the terms of issue and approving the issue of securities in the Company in connection with such offers (within the total number of securities approved by the Board); and
- fees payable to Non-Executive Directors of controlled entity boards.

Membership and meetings

The following outlines the member composition of the Remuneration Committee during the year:

Mr Kevin V Campbell (Chairman);
Mr Bruce R Bennie;
Mr Paul G Choiselat.

The Remuneration Committee met two times during the year. The number of meetings attended by each member during the year is set out in the report of the Directors.

The Chief Executive Officer and the Executive Directors attend the Remuneration Committee meetings by invitation and have assisted the Remuneration Committee in its deliberations, except on matters associated with their own remuneration.

Advisers

External specialist remuneration advice is sought in respect of remuneration arrangements for Non-Executive Directors of the Board and key management personnel of the Group. General reward advice is sought on an ad hoc basis.

Reward policy

The Company has an established policy for determining the nature and amount of emoluments of Board Members and Key management personnel of the Company to align remuneration with the creation of shareholder value. The remuneration structure for the Key management personnel, including the Managing Director, seeks to emphasise payment for results.

Reward philosophy
The Company's overall philosophy is to manage the remuneration to:
- create an environment that will attract top talent, and where people can be motivated with energy and passion to deliver superior performance;
- recognise capabilities and promote opportunities for career and professional development;
- provide rewards, benefits and conditions that are competitive within the markets in which the Group operates; and
- provide fair and consistent rewards across the Group, which support corporate principles.

In accordance with the ASXBPR, the structure of Non-Executive Directors and Key management personnel remuneration is separate and distinct.

Company Performance
The table below shows the performance results of the Company for the last 6 years, as well as the share price at the end of the respective financial years.

	2001	2002	2003	2004	2005	2006
Revenue ($'000)	91	593	1,422	2,994	7,293	11,623
Net Profit/(Loss) after tax ($'000)	(489)	(10)	28	898	2,702	4,300
Share Price at Year-end ($)	N/A	N/A	N/A	0.20*	0.80	2.37
Dividends Paid	NIL	NIL	NIL	NIL	NIL	NIL

*Jumbuck Entertainment Ltd was de-merged from its then parent company Q Ltd and listed on the Australian Stock Exchange in August 2004. The share price shown is the price at which shares were issued under the IPO of the Company.

Executives and Executive Director Remuneration
The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:
- Reward executives for achievement of pre-determined key performance indicators;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

The Remuneration for Key management personnel and staff is reviewed annually using a performance appraisal process.

The Remuneration Committee recommends to the Board increases in fixed remuneration each year based on the performance of individuals. In addition, the Committee reviews the performance and the remuneration of the Managing Director and recommends to the Board any short-term incentive payments and adjustments to his remuneration.

The remuneration structure is in two parts:
- Fixed remuneration; and
- Variable remuneration.

Fixed remuneration
Fixed remuneration comprises of payroll salary, superannuation and other benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation

Variable Remuneration
Comprises of a short term incentive plan and a long term incentive plan.
- Short term incentive plan

Short-term incentives are used to differentiate rewards based on performance on a year by year basis. The principal performance indicator of the short-term incentive plan is based on the Company's financial performance and individual achievement of specified goals, for example for achieving progress with growth initiatives
- Long term incentive plan

In April 2004, JMB established an employee option plan called the Jumbuck Incentive Option Scheme ("Scheme"). The Scheme is designed to provide a long-term incentive for employees and Directors of Jumbuck and to reward sustained superior performance to align all interests more closely with those of Jumbuck shareholders. It will allow them to participate in Jumbuck's future growth and give them an incentive to increase profitability and returns to shareholders. Full time employees, part-time employees, Directors and contractors of Jumbuck are eligible to participate in the Scheme.

The Committee has acknowledged that an issue of options to any Director of the Company (and/or their associates) would need the approval of shareholders and agreed that such issues should ideally be made outside of the Incentive Option Scheme. The entitlement of eligible participants under the Scheme is at the absolute discretion of the Directors. The exercise price of each option offered pursuant to the Scheme is at the discretion of the Directors.

The total number of Options which may be issued under the Scheme may not exceed 5% of the total number of issued shares in Jumbuck as at the time of the proposed offer or issue. The Options hold no voting or dividend rights, and are not transferable.

During and since the end of the financial year, 2,050,000 Options were issued under the Jumbuck Incentive Option Scheme. Refer to Note 25 for further details.

Executive Directors' and CEO Remuneration

The following table summarises the remuneration arrangements for executive Directors and the CEO. Arrangements for key management personnel and arrangements for Non-Executive Directors are shown on the following pages of this report.

	Mr PG Choiselat	**Mr AP Risch**	**Ms OP Hilton**
Position	Managing Director Commenced October 2002	Managing Director - Europe Commenced June 2006	CEO Commenced June 2006
Term of employment agreement	No contract in place	1 year to 30 June 2007. May be extended by mutual agreement	3 years from 1 May 2006. May be extended by mutual agreement
Notice period	No agreement is currently in place	3 months	Outside of Term, 3 months
Total employment cost (TEC)*	$268,105	$410,416	$312,247
Short term incentive	Given the performance of the Company, variable remuneration based on the EBIT scheme was paid during the year. An amount of $72,573 was paid during the year.	Given the performance of the Company, variable remuneration based on the EBIT scheme was paid during the year. An amount of $79,898 was paid during the year.	Given the performance of the Company, variable remuneration based on the EBIT scheme was paid during the year. An amount of $53,265 was paid during the year. In addition, 1 million options were granted as detailed in this report
Long term incentive	N/A	N/A	N/A other than options as set out below
Other benefits	Executive Directors are eligible to participate in other benefits that are normally provided to executives employed by the Company, subject to any overriding legislation prevailing at the time including the *Corporations Act* 2001 (Cth)	Executive Directors are eligible to participate in other benefits that are normally provided to executives employed by the Company, subject to any overriding legislation prevailing at the time including the *Corporations Act* 2001 (Cth)	Executive Directors and executives are eligible to participate in other benefits that are normally provided to executives employed by the Company, subject to any overriding legislation prevailing at the time including the *Corporations Act* 2001 (Cth)
Termination by executive	No agreement is currently in place	3 months notice	3 months notice after the Term or one month after breach by Company
Termination by Company	No agreement is currently in place	3 months notice or payment in lieu	3 months notice after the Term or one month after breach by executive or payment in lieu
Restraint	N/A	12 months after date of expiry or termination	12 months after date of expiry or termination
Other	N/A	N/A	N/A
Interest in shares	5,951,123 ordinary fully paid shares	3,324,417 ordinary fully paid shares	23,000 ordinary fully paid shares
Options	Nil	Nil	1 million options vesting in thirds from 30/9/07 with exercise prices of $2.05, $2.25 and $2.48.

* A portion of TEC may be taken in the form of packaged benefits (such as a motor vehicle and parking), and is inclusive of fringe benefits tax and employer superannuation contributions

Each year, the Board agrees or determines reasonable performance measures and targets for use in assessing each executive Director's performance. After the end of each financial year, the Board reviews each executive Director's performance by reference to these measures and targets. STI targets (as a percentage of TEC) are determined annually by the Board for the coming year. TEC is base remuneration inclusive of superannuation and benefits but excludes leave accrued not taken.

Key Management Personnel remuneration (subject to audit)
The following tables show details of the nature and amount of each element of the remuneration paid or payable with respect to services provided for the period as key management personnel of the Group during FY2006. All Directors and key management personnel are paid in Australian dollars.

Other than as disclosed below no performance options or performance rights have been granted to executive Directors or key management personnel since the end of FY2006.

No retirement benefits were paid or payable to executive Directors or key management personnel in FY2006.

For the purposes of the remuneration tables below, all bonus entitlements are disclosed as primary benefits.

The following table shows separately the full-year remuneration details of each of the Directors and five named Company executives (who may or may not be key management personnel) and additional Group executives who received the highest remuneration for the year. Remuneration totals in the table below will differ from those disclosed above if the executive ceased their position as a specified executive during the year.

Table A

2006	Short-term Employee Benefits				Post-employment Benefits				Share-based Payment				Total
									Equity-settled				
	Salary & Fees	Bonus	Non-monetary	Other	Super-annuation	Other	Other Long Term Employee Benefits	Termination Benefits	Shares & Units	Options & Rights	Cash Settled	Other	
K V Campbell	60,000				5,400								65,400
B R Bennie	35,000				3,150								38,150
Hon. J G Kennett	35,000				3,150								38,150
A P Risch	214,831	163,163			32,422								410,416
P G Choiselat	119,900	148,205			0								268,105
O P Hilton	160,192	108,775			24,207					19,073			312,247
K Stedman	160,000	81,581			21,742								263,323
M A Chuah	50,626												50,626
T D Herbst	65,030	0			0								65,030
Total	**900,579**	**501,724**	**0**	**0**	**90,071**	**0**	**0**	**0**	**0**	**19,073**	**0**	**0**	**1,511,447**

Table B

2005	Short-term Employee Benefits				Post-employment Benefits		Other Long Term Employee Benefits	Termination Benefits	Share-based Payment				Total
									Equity-settled				
	Salary & Fees	Bonus	Non-monetary	Other	Super-annuation	Other			Shares & Units	Options & Rights	Cash Settled	Other	
K V Campbell	30,000				2,700								32,700
P G Choiselat	70,000				6,300								76,300
B R Bennie	10,000				900								10,900
Hon. J G Kennett	10,000				900								10,900
A P Risch	180,000				16,200								196,200
C Chan	14,734												14,734
M A Chuah	43,173												43,173
G A Darling	44,132												44,132
K M Stedman	150,000				13,500								163,500
O P Hilton	100,102				8,836								108,938
Total	**652,141**	**0**	**0**	**0**	**49,336**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**701,477**

In addition to remuneration benefits above, the Company paid a premium for a contract insuring all Directors of the Company and key management personnel of the Group as officers. It is not possible to allocate the benefit of this premium between individual Directors or key management personnel. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the premium paid under the contract.

Options held by Key Management Personnel (subject to audit)

	Balance 01.07.05	Granted as Remuneration	Options Exercised	Options Expired	Balance 30.06.06	Total Vested 30.06.06	Total exercisable
Non-Executive directors							
Mr B R Bennie	188,889	0	188,889	0	0	0	0
Hon J G Kennett	222,222	0	0	0	222,222	222,222	222,222
Executives							
Ms OP Hilton	0	1,000,000	0	0	1,000,000	0	0
Mr B Milton	133,333	750,000	133,333	0	750,000	0	0
Mr R Stedman	0	125,000	0	0	125,000	0	0
Mr K Lindsell	0	125,000	0	0	125,000	0	0
Ms J Chen	0	50,000	0	0	125,000	0	0
Total	**544,444**	**2,050,000**	**322,222**	**0**	**2,272,222**	**222,222**	**222,222**

The Executive Directors do not hold any options and were not granted any options during the year.

Details of options granted in the 2005/06 financial year are set out in the Directors' Report below.

Valuation method of options

The Economic and Parent Entity have in respect of the equity based Options component of Director's and Officer's emoluments, valued those Options using the Black-Scholes Option Pricing Model, which takes account of factors including the options exercise price, the current level and volatility of the underlying share price, the risk free interest rate, expected dividends on the underlying share, current market price on the underlying share and expected life of the option.

Non-Executive Director remuneration
The following persons were Non-Executive Directors of the Company at 30 June 2006:

Name	Position	Date commenced, if during year
Kevin V Campbell	Chairman	
Bruce R Bennie	Non-Executive Director	
Hon Jeffrey G Kennett	Non-Executive Director	

No person resigned from his position as a Non-Executive Director of the Company during the year ended 30 June 2006.

Remuneration policy
The fees paid to Non-Executive Directors on the Board are based on advice and data from the Group's remuneration specialists and from external remuneration advisers. This advice takes into consideration the level of fees paid to Board members of other Australian corporations, the size and complexity of the Group's operations, the activities of the Group and the responsibilities and workload requirements of Board members.

Fees are established annually for the Chairman and Non-Executive Directors. The total fees paid by the Group to members of the Board, including fees paid for their involvement on Board committees, are kept within the total approved by shareholders from time to time. Shareholders approved a maximum fee pool of $250,000 per annum at the Company's annual general meeting held on 20 April 2004. There are no retirement allowance benefits to Non-Executive Directors.

All Directors have flexibility in relation to their remuneration, including the opportunity to set aside additional Company superannuation contributions.

The appointment letters for the Non-Executive Directors set out the terms and conditions of their appointments. These terms and conditions are in conjunction with, and subject to, the Company's constitution and the charters and policies approved by the Board from time to time *(refer to the 'corporate governance' section)*.

Non-Executive Director remuneration (current and former Non-Executive Directors at 30 June 2006)
Table A above shows details of the nature and amount of each element of the emoluments of each Non-Executive Director of the Company relating to services provided in the 2005/2006 year. No performance options or performance rights have been granted to Non-Executive Directors during or since the end of FY2006.

Each Non-Executive Director receives a fee for being a Director of the Company but no additional fees for sitting on or chairing committees. The Non-Executive Directors also receive superannuation contributions, currently at 9%, and do not receive any other retirement benefits.

Directors Report

Your Directors present their report on Jumbuck Entertainment Ltd ("Jumbuck") together with the financial statements of the Group, being the Company and its controlled entities, for the year ended 30 June 2006.

Directors and Officers
The Board of Directors (Board) has power to appoint persons as Directors to fill any vacancies. Other than the Managing Director and those Directors appointed during the year, one-third (or the nearest number to) are required to retire by rotation at each annual general meeting and are eligible to stand for re-election together with those Directors appointed during the year to fill any vacancy who must retire and stand for election.

The names of the Company's Directors in office during or since the end of the financial year are as follows:

Kevin V Campbell	Chairman and Non-Executive Director
Paul G Choiselat	Executive Managing Director
Hon Jeffrey G Kennett	Non-Executive Director
Bruce R Bennie	Non-Executive Director
Adrian P Risch	Managing Director - Europe and Executive Director

Each of the above Directors has been in office for the entire financial year and up to the date of this report.

Details of Directors and CEO of the Company in office at the date of this report, and each officer's qualifications, experience and special responsibilities are below.

Kevin V Campbell AM Age: 62
Chairman (non-executive)

Board member since February 2002 and Chairman since April 2004 , Mr Campbell has had an extensive and diverse career in the broadcasting industry in Australia for over thirty-five years and has experience in media technology. He is a former managing Director of TVW Enterprises Ltd, Perth and a former chairman of the Lotteries Commission of Western Australia. He is chairman of Q Ltd, Chairman of Quickflix Ltd and the Telethon Institute for Child Health Research. Mr Campbell is also a member of the General Division of the Order of Australia. Mr Campbell is also Chairman of the Remuneration and Corporate Governance Committees and a member of the Audit and Finance Committee.
Mr Campbell holds an interest in 110,957 shares in Q Ltd as at the date of this report.

Hon Jeffrey G Kennett AC Age: 58
Director (non-executive)

Board member since April 2004, The Hon Jeffrey Kennett was a Member of the Victorian Parliament for 23 years, and was Premier of the State from 1992 to 1999. Mr Kennett is currently Chairman of Australian Seniors Finance Limited and Open Windows Australia Propriety Limited, a Director of Q Ltd. He is also Chairman of Beyondblue, the national depression initiative, Chairman of Enterprize Ship Trust, and President of Hawthorn Football Club. Mr Kennett is Chairman of the Audit and Finance Committee and a member of the Remuneration and Corporate Governance Committees.
Mr Kennett holds an interest in 311,388 shares and options to acquire a further 222,222 shares in Jumbuck as at the date of this report.

Bruce R Bennie B.Ec Age: 41
Director (non-executive)

Board member since April 2004, Mr Bennie has held senior sales and management positions in major corporations, including, a number of large US based telecommunication vendors such as sales Director for Lucent Technologies Australia/NZ. He has strong skills in developing marketing strategies, contract negotiation and strategic selling to major telecommunications companies and brings to Jumbuck over 22 years of sales, management and marketing experience in the IT & T sector. Mr Bennie is also a Director of Q Ltd. He is also a member of the Remuneration Committee.
Mr Bennie holds an interest in 200,889 shares in Jumbuck as at the date of this report.

Adrian P Risch MAICD Age: 28

Director (executive)

Board member and CEO since May 2000, Mr Risch is founder of JMB and as chief executive officer managed the Company's day-to-day operations. He has extensive experience in managing corporate IT projects and applications development teams. He has an indepth understanding of international telecommunication markets and consumer consumption of mobile data services. Mr Risch is also a Director of MetOcean Engineers Pty Ltd, an international oceanography company and wap3 Technologies GmbH, a telecommunication provider. Mr Risch resigned as CEO as at 1 June 2006 to become Managing Director Europe and manages the European offices of Jumbuck. He is a member of the Corporate Governance Committee.

Mr Risch holds an interest in 3,324,417 shares in Jumbuck as at the date of this report.

Paul G Choiselat B.Bus (Accounting), Dip.Bus (Marketing), MBA, CPA, FCIS Age: 51

Managing Director (executive)

Board member since October 2002, Mr Choiselat was appointed Managing Director in October 2002. He has significant experience, primarily in the investment, finance, manufacture, healthcare and retail sectors. Mr Choiselat currently heads up Beconwood Securities Pty Ltd, his privately owned investment banking business, which has an arrangement to supply certain facilities and services to Jumbuck. He has had extensive experience in funds management, underwriting and in venture capital. He is also the Managing Director of Q Ltd and of the New Zealand listed Training Solutions Plus Ltd. He is a Non-Executive Director of a number of Australian and international private and public investment and trading corporations including Destra Corporation Ltd and was previously a Non-Executive Director of Healthscope Ltd. Mr Choiselat is responsible for the general management of Jumbuck and is a member of the Audit and Finance, Corporate Governance and Remuneration Committees.

Mr Choiselat holds an interest in 5,951,123 shares in Jumbuck as at the date of this report.

Olivia P Hilton B.Bus (Marketing) Age: 28

CEO

CEO since June 2006, Ms Hilton as chief executive officer leads and manages the Company's strategy and day-to-day operations. She has extensive experience in managing corporate IT projects and applications development teams and prior to CEO was COO at Jumbuck for 3 years. Ms Hilton has an in-depth understanding of international mobile markets and consumer consumption of mobile data services. Previously Ms Hilton has worked for Telstra Corporation Australia and abroad for the UK new entrant operator 3. She entered the Mobile Entertainment Industry in 2001, working for Codetoys Ltd, where she was positioned as Business Development Manager Europe at Codetoys Ltd, a Finnish company who had major success with high profile SMS games such as Who Wants to be a Millionaire and Trivial Pursuit for mobile.

Ms Hilton holds an interest in 23,000 shares and options to acquire a further 1,000,000 shares in Jumbuck as at the date of this report.

Company Secretary

The Company Secretary of the Group in office at the date of this report is Ms Tamira Herbst. Her qualifications and experience are below:

Ms Tamira D Herbst, B.Juris/LL.B, FINSIA (SA), AICD, ACLA, CSA (Aff)

Company Secretary

Ms Herbst joined Jumbuck in August 2005 and is responsible for the provision of legal advice on all aspects of JMB business to management and Board, as well as company secretarial matters including corporate governance, continuous disclosure and compliance systems and practices and investor communications. Ms Herbst was previously Company Secretary and Legal Counsel for Grand Hotel Group and has held similar roles for private and public companies and joint ventures. Ms Herbst is a Director of Tourism Victoria and Treasurer of Linden St Kilda Centre for Contemporary Arts. Ms Herbst is also Company Secretary of Q Ltd and of the New Zealand listed Training Solutions Plus Ltd.

Ms May A Chuah, CA, B.Comm
CFO
Chief Financial Officer (CFO) of Jumbuck Entertainment Ltd since October 2002. Ms Chuah holds a Bachelor of Commerce degree, is a member of the Institute of Chartered Accountants in Australia. Ms Chuah has extensive experience in the corporate/finance area extending to areas of Initial Public Offerings and Mergers and Acquisitions. Responsibilities include the supervision and production of all management and financial accounts, financial reporting compliance and other financial services including activities related to acquisitions and capital raisings. Ms Chuah is also CFO of Q Ltd and of Beconwood Securities Pty Ltd. Ms Chuah held an interest in 100,000 shares in Jumbuck Entertainment Ltd as at the date of this report.

Directors' and officers' indemnity
The Company has indemnified each Director referred to in this report, the Company Secretary and previous Directors and secretaries (Officers) against all liabilities or loss (other than to the Company or a related body corporate) that may arise from their position as Officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or indemnification is otherwise not permitted under the Corporations Act. The indemnity stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses, and covers a period of seven years after ceasing to be an Officer of the Company.

The Company has also indemnified the current and previous Directors of its controlled entities and certain members of the Company's senior management for all liabilities and loss (other than to the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith or indemnification is otherwise not permitted under the Corporations Act.

The Company has executed deeds of indemnity in terms of Article 27 in favour of each Non-Executive Director of the Company and certain Non-Executive Directors of related bodies corporate of the Company.

Directors' and officers' insurance
The Company has paid insurance premiums for one year cover in respect of Directors' and Officers' liability insurance contracts, for Officers of the Company and of its controlled entities. The insurance cover is on standard industry terms and provides cover for loss and liability for wrongful acts in relation to the relevant person's role as an Officer, except that cover is not provided for loss in relation to Officers gaining any profit or advantage to which they were not legally entitled, or Officers committing any criminal, dishonest, fraudulent or malicious act or omission, or any knowing or wilful violation of any statute or regulation. Cover is also only provided for fines and penalties in limited circumstances and up to a small financial limit.

The insurance does not provide cover for the independent auditors of the Company or of a related body corporate of the Company.

In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

Principal activities
The principal activities of the Group during the year were mobile data services provider to wireless mobile carriers.

In the opinion of the Directors there were no significant changes in the state of affairs of the Company (as the parent entity) that occurred during the financial year not otherwise disclosed in this report or the financial statements.

Review of Operations
A detailed review of operations and the results of those operations is set out in the Chairman's Message and Managing Director's Report at the beginning of this report.

Except for the matters disclosed, there are, at the date of this report, no other matters or circumstances which have arisen since 30 June 2006 that have significantly affected or may significantly affect:
(a) the operations in future financial periods subsequent to the financial year ended 30 June 2006, of the Group constituted by the Company and the entities it controls from time to time;
(b) the results of those operations in future financial periods; or
(c) the state of affairs, in future financial periods, of the Group.

Dividends
No dividends have been paid or declared since the start of FY2006 and Jumbuck does not propose to pay a dividend for this reporting period.

Share Issue
In April 2006, the Group undertook a placement to sophisticated and professional investors to issue 3,000,000 shares at an issue price of $1.90. The issues raised $5.7 million before expenses. These funds were used to fund the acquisition of the wap3 community business.

Acquisitions
In June 2006, the Group acquired the Wap3 community business from wap3 Technologies GmbH in Germany for a total consideration of approximately 4.6 million EURO (equivalent to $7.7 million). The acquisition resulted in 3 subsidiaries being established, Jumbuck International Pty Ltd, Jumbuck Community GmbH and Community Development and Support Ltd.

Events subsequent to reporting date
There has not arisen in the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future Developments
Other than comments on likely developments or expected results of certain of the operations of the Group which are included in the Chairman's Message and the Managing Director's Report, in the opinion of the Directors, further information on likely developments in the operations of the Group and the expected results of those operations in future financial periods have been omitted as the Directors believe it would be likely to result in unreasonable prejudice to the Group's interests if such further information were included in this report.

Business Strategies and Prospects
Information on the Group's business strategies and its prospects for future financial years are included in the Chairman's Message and the Managing Director's Report. In the opinion of the Directors, further information on the Group's business strategies and its prospects for future financial years would, if included in this report, be likely to result in unreasonable prejudice to the Group and has accordingly been omitted.

Environmental Issues
The Company takes a responsible approach in relation to the management of environmental matters. All significant environmental risks have been reviewed and the Group has no legal obligation to take corrective action in respect of any environmental matter. The economic entity's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

Remuneration Report
The Remuneration Report is set out before this Directors Report and is incorporated by reference into and forms part of this Directors' Report. Certain disclosures required by AASB 124 have been made in the remuneration report. The remuneration report has been audited as required.

The Remuneration Report covers a discussion on the broad policy for determining the nature and amount of remuneration of Directors and key management personnel of the Group, a discussion of the relationship between that policy and the Consolidated Entity's performance, and other related matters required to be disclosed in accordance with section 300A of the Corporations Act.

Meetings of Directors

The table below shows the number of Directors' meetings held (including meetings of Board committees) and number of meetings attended by each of the Directors of the Company during the year:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS					
			AUDIT & FINANCE COMMITTEE		REMUNERATION COMMITTEE		GOVERNANCE COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Mr K V Campbell	11	11	2	2	2	2	N/A*	N/A*
Mr B R Bennie	11	11	-	-	-	-	-	-
Mr P G Choiselat	11	11	2	2	2	2	N/A*	N/A*
Hon J G Kennett	11	11	2	2	2	2	N/A*	N/A*
Mr A P Risch	11	11	-	-	-	-	-	-

*No corporate governance committee meetings were held during FY2006, however, the full Board considered corporate governance matters at a number of meetings.

Directors' and executives' interests

The tables below show the interests of each Director (as notified to the Australian Stock Exchange in accordance with section 205G(l) of the Corporations Act) and executives in the issued ordinary shares of the Group as at the date of this report.

	Fully Paid Ordinary Shares	Options
Mr K V Campbell	110,957	0
Mr B R Bennie	208,889	0
Mr P G Choiselat	5,951,123	0
Hon J G Kennett	311,388	222,222
Mr A P Risch	3,324,417	0
Ms OP Hilton	23,000	1,000,000
Ms TD Herbst	0	0
Ms MA Chuah	100,000	0
Mr KM Stedman	1,255,434	0

Options

2,600,000 options were granted over unissued shares by the Company during or since FY2006 as detailed below:

Name of Option Holder	Grant Date	Date of Expiry	Exercise Price ($)	Number Under Option
Ms J Chen	05/05/06	30/09/10	2.05	16,666
Ms J Chen	05/05/06	30/09/11	2.25	16,666
Ms J Chen	05/05/06	30/09/12	2.48	16,668
Ms O P Hilton	05/05/06	30/09/10	2.05	333,333
Ms O P Hilton	05/05/06	30/09/11	2.25	333,333
Ms O P Hilton	05/05/06	30/09/12	2.48	333,334
Mr H Jurna	01/06/06	01/06/09	2.10	200,000
Mr K Lindell	05/05/06	30/09/10	2.05	41,666
Mr K Lindell	05/05/06	30/09/11	2.25	41,666
Mr K Lindell	05/05/06	30/09/12	2.48	41,668
Mr B Milton	05/05/06	30/09/10	2.05	250,000
Mr B Milton	05/05/06	30/09/11	2.25	250,000
Mr B Milton	05/05/06	30/09/12	2.48	250,000
Mr B Palme	01/06/06	01/06/09	2.10	200,000
Mr Y A Rozhyk	01/06/06	01/06/09	2.10	100,000
Mr U S Sorokin	01/06/06	01/06/09	2.10	50,000
Mr R Stedman	05/05/06	30/09/10	2.05	41,666
Mr R Stedman	05/05/06	30/09/11	2.25	41,666
Mr R Stedman	05/05/06	30/09/12	2.48	41,668
Total				**2,600,000**

At the date of this report, the unissued ordinary shares of Jumbuck under option are:

Grant Date	Date of Expiry	Exercise Price ($)	Number Under Option
24/05/04	18/12/06	0.675	222,222
05/05/06	30/09/10	2.05	683,331
05/05/06	30/09/11	2.25	683,331
05/05/06	30/09/12	2.48	683,338
01/06/06	01/06/09	2.10	550,000
TOTAL			2,822,222

Directors' Interests in Contracts
No material contracts involving Directors' interests were entered into since the end of the previous financial year, or existed at the end of the year, other than those transactions detailed in Note 27 to the Financial Statements.

Proceedings on behalf of the Company
No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Non-Audit Services
The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid to the external auditors during FY2006:
AGM administrative services $250

Audit Services
The statement by the Consolidated Entity's external auditors to the members of Jumbuck in relation to the auditors' compliance with the independence requirements of the Corporations Act and the professional code of conduct for external auditors, forms part of this Directors' Report, and is set out on the following pages.

No person who was an Officer of the Company during the financial year was a Director or partner of the Group's external auditor at a time when the Group's external auditors conducted an audit of the Group.

Adoption of Australian equivalent to International Financial Reporting Standards ("AIFRS")
This financial report has been prepared under AIFRS. A reconciliation of differences between previous GAAP and AIFRS has been included in Note [2] of the financial report.

This report is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors.

Dated at Melbourne this 29th day of August 2006.

P G Choiselat
Director

DTT Victoria

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The Board of Directors
Jumbuck Entertainment Limited
5th Floor, Bank House
11 Bank Place
MELBOURNE VIC 3000

29 August 2006

Dear Board Members

Jumbuck Entertainment Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Jumbuck Entertainment Limited.

As lead audit partner for the audit of the financial statements of Jumbuck Entertainment Limited for the financial year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DTT Victoria

DTT Victoria

R D D Collie
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
DTT Victoria has changed its name from BDO and is a continuation of that Victorian partnership. The partners of DTT Victoria have also joined the Australian partnership of Deloitte Touche Tohmatsu.
All changes with effect from 14 August 2006.

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
Revenues from ordinary activities	3	11,623,286	7,292,666	11,565,282	7,292,666
Accounting and audit fees		(130,229)	(82,345)	(129,887)	(82,345)
Advertising and marketing		(68,463)	(66,526)	(68,463)	(66,526)
Depreciation and amortisation expense	4	(840,237)	(572,990)	(832,197)	(572,990)
Employee benefits expense	4	(3,086,495)	(1,916,345)	(3,026,673)	(1,916,345)
Hosting expense		(230,298)	(221,284)	(230,298)	(221,284)
Insurance		(95,222)	(110,597)	(95,170)	(110,597)
Legal fees		(110,266)	(116,538)	(110,266)	(116,538)
Occupancy		(167,567)	(155,777)	(159,602)	(155,777)
Other expenses from ordinary activities		(376,142)	(56,926)	(408,615)	(56,926)
Product development		(47,512)	(185,066)	(25,643)	(185,066)
Repairs and maintenance		(9,035)	(2,907)	(9,035)	(2,907)
Representation – overseas		(497,376)	(438,346)	(497,376)	(438,346)
Travel and accommodation		(223,195)	(192,475)	(217,746)	(192,475)
Profit before income tax expense	4	5,741,249	3,174,544	5,754,311	3,174,544
Income tax expense	5	(1,441,633)	(472,432)	(1,445,552)	(472,432)
Profit for the year		4,299,616	2,702,112	4,308,759	2,702,112
Basic earnings per share (cents per share)	8	9.4	6.3		
Diluted earnings per share (cents per share)	8	9.4	6.3		

The accompanying notes form part of these financial statements

BALANCE SHEET AS AT 30 JUNE 2006

	Notes	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	9	5,861,118	2,215,024	5,663,935	2,215,024
Trade and other receivables	10	2,670,515	2,443,102	11,287,272	2,443,102
Other current assets	11	42,609	184,635	42,609	184,635
TOTAL CURRENT ASSETS		8,574,242	4,842,761	16,993,816	4,842,761
NON-CURRENT ASSETS					
Property, plant and equipment	13	834,539	316,823	520,795	316,823
Other financial assets	14	245,320	-	4	-
Intangible assets	15	9,462,150	908,858	1,333,817	908,858
TOTAL NON-CURRENT ASSETS		10,542,009	1,225,681	1,854,616	1,225,681
TOTAL ASSETS		19,116,251	6,068,442	18,848,432	6,068,442
CURRENT LIABILITIES					
Trade and other payables	16	1,057,975	343,081	1,009,892	343,081
Current tax liabilities	17	888,353	73,801	892,272	73,801
Other	18	62,342	38,265	62,342	38,265
Provisions	19	165,861	168,670	165,861	168,670
TOTAL CURRENT LIABILITIES		2,174,531	623,817	2,130,367	623,817
NON-CURRENT LIABILITIES					
Deferred tax liability	17	415,114	294,267	415,114	294,267
TOTAL NON-CURRENT LIABILITIES		415,114	294,267	415,114	294,267
TOTAL LIABILITIES		2,589,645	918,084	2,545,481	918,084
NET ASSETS		16,526,606	5,150,358	16,302,951	5,150,358
EQUITY					
Issued Capital	20	9,219,173	2,414,440	9,219,173	2,414,440
Retained earnings	21	7,035,534	2,735,918	7,044,677	2,735,918
Reserve	22	271,900	-	39,101	-
TOTAL EQUITY		16,526,606	5,150,358	16,302,951	5,150,358

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2006

Economic Entity

	Note	Share Capital Ordinary	Retained Earnings	Foreign Currency Translation Reserve	Options Valuation Reserve	Total
		$	$	$	$	$
Balance at 1 July 2004		2,274,440	33,806	-	-	2,308,246
700,000 shares issued during the year	20	140,000	-	-	-	140,000
Profit attributable to members of parent entity		-	2,702,112	-	-	2,702,112
Balance at 30 June 2005		2,414,440	2,735,918	-	-	5,150,358
2,100,000 options exercised during the year	20	1,275,750	-	-	-	1,275,750
3,000,000 share placement during the year	20	5,700,000	-	-	-	5,700,000
Transaction costs relating to share placement	20	(171,017)	-	-	-	(171,017)
Profit attributable to members of parent entity		-	4,299,616	-	-	4,299,616
Movement in reserves		-	-	(7,301)	279,201	271,900
Balance at 30 June 2006		9,219,173	7,035,534	(7,301)	279,201	16,526,607

Parent Entity

	Note	Share Capital Ordinary	Retained Earnings	Foreign Currency Translation Reserve	Options Valuation Reserve	Total
Balance at 1 July 2004		2,274,440	33,806	-	-	2,308,246
700,000 shares issued during the year	20	140,000	-	-	-	140,000
Profit attributable to members of parent entity		-	2,702,112	-	-	2,702,112
Balance at 30 June 2005		2,414,440	2,735,918	-	-	5,150,358
2,100,000 options exercised during the year	20	1,275,750	-	-	-	1,275,750
3,000,000 share placement during the year	20	5,700,000	-	-	-	5,700,000
Transaction costs relating to share placement	20	(171,017)	-	-	-	(171,017)
Profit attributable to members of parent entity		-	4,308,759			4,308,759
Movement in reserves		-	-	-	39,101	39,101
Balance at 30 June 2006		9,219,173	7,044,677	-	39,101	16,302,951

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		11,326,912	6,022,404	11,327,915	6,022,404
Payments to suppliers and employees		(4,623,808)	(3,563,472)	(4,825,319)	(3,563,472)
Interest received		260,559	64,971	260,559	64,971
Borrowing costs		-	(448)	-	(448)
Income tax paid		(633,061)	(87,741)	(633,061)	(87,741)
Net cash provided by operating activities	25a	6,330,602	2,435,714	6,130,094	2,435,714
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(347,632)	(293,606)	(344,307)	(293,606)
Payment for development expenses		(1,101,372)	(1,392,381)	(1,101,372)	(1,392,381)
Payment for acquisition of WAP 3 Community business	30	(8,040,237)	-	-	-
Payment to subsidiary		-	-	(8,040,237)	-
Net cash used in investing activities		(9,489,241)	(1,685,987)	(9,485,916)	(1,685,987)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	20	6,975,750	140,000	6,975,750	140,000
Share issue costs	20	(171,017)	-	(171,017)	-
Repayment of advances from former Parent entity		-	(168,466)	-	(168,466)
Net cash provided by financing activities		6,804,733	(28,466)	6,804,733	(28,466)
Net increase(decrease) in cash held		3,646,094	721,261	3,448,911	721,261
Cash and cash equivalents at beginning of financial year		2,215,024	1,493,763	2,215,024	1,493,763
Cash and cash equivalents at end of financial year	9	5,861,118	2,215,024	5,663,935	2,215,024

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the economic entity of Jumbuck Entertainment Ltd and controlled entities, and Jumbuck Entertainment Ltd as an individual parent entity. Jumbuck Entertainment Ltd is a public company, incorporated and domiciled in Australia.

The financial report of Jumbuck Entertainment Ltd and controlled entities, and Jumbuck Entertainment Ltd as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRSs) in their entirety.
The parent entity financial statements do not comply with the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the economic entity.

The financial statements were authorized for issue by the directors on 29 August 2006.

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

Basis of Preparation

Jumbuck Entertainment Ltd and controlled entities, and Jumbuck Entertainment Ltd as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.
In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRSs have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Jumbuck Entertainment Ltd to be prepared in accordance with AIFRSs.
The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement, and have applied these accounting standards with effect from 1 July 2005.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

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

- AASB 7 *Financial Instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006.
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting* AASB 117 Leases, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

The consolidated entity plans to adopt AASB7, AASB 2005-9 and ASB 2005-10 in the 2007 financial year
The initial application of AASB7 and AASB 2005-10 is not expected to have an impact on the financial results of the company and the consolidated entity as the standard and the amendment are concerned only with disclosures.
The initial application of AASB 2005-9 could have an impact on the financial results of the company and the consolidated entity as the amendment could result in liabilities being recognised for financial guarantee contracts that have been provided by the company and the consolidated entity. However, the quantification of the impact is not known or reasonably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the company and the consolidated entity to date.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation (Cont.)

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

In the application of A-IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affect both current and future periods

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements

Accounting Policies

a. **Principles of Consolidation**

A controlled entity is any entity Jumbuck Entertainment Ltd has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 12 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any recognised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

The investments in controlled entities are measured at cost in the parent entity's financial report.

b. **Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is recognise or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be recognise.

The amount of benefits brought to account or which may be recognise in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be recognise and comply with the conditions of deductibility imposed by the law.

Jumbuck Entertainment Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognised its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group entered into the tax consolidation regime from 1st June 2006 and notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1st June 2006. The tax will be paid by the parent entity as the group has not entered into a tax funding agreement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

c. **Plant and Equipment**

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and recognised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company 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 following estimated useful lives are used in the calculation of depreciation:

Class of Fixed Asset	Years of useful life
Plant and equipment	4-5 years
Furniture and fittings	8 years

d. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases. Finance leases are recognised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged on a straight line basis as expenses in the periods in which they are incurred.

e. **Impairment of Assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in income immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

There is no impairment of assets for the financial year ending 30th June 2006.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

f. **Financial Assets**

Investments are recognised and derecognised on trade date when purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified into the following specific specified categories: financial assets 'at fair value through profit or loss', held to maturity' investments, 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available for sale financial assets

Certain shares held by the consolidated entity are classified as being available for sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in fair value are recognised directly in the available for sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available for sale revaluation reserve is included in profit or loss for the period.

Loan and receivables

Trade receivables, loans and other receivables are recorded at amoritised cost less impairment.

g. **Intangibles**

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment or more frequently where indications of impairment exist and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

Deferred development costs are amortised over the lesser of 15 months or the useful economic life of the product, once the product has been made available for commercial sale. Research costs are charged to profit from ordinary activities before income tax as they are incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset or use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally generated assets are stated at cost less accumulated amortisation and impairment, and are amortised over their useful lives as follows:

- Capitalised development costs - 15 months.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

h. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is Jumbuck Entertainment Ltd's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognized in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position 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
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognized in the income statement in the period in which the operation is disposed.

i. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions made by the Company to employee superannuation funds are charged as expenses when incurred.

The company operates an ownership-based remuneration scheme through the Incentive Option Scheme, details of which are provided in Note 26 to the financial statements. Other than minimal administration costs, which are expensed when incurred, the plan does not result in any cash outflow from the Company.

Equity settled share based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

j. **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

k. **Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
Dividend revenue is recognised when the right to receive a dividend has been established.
Government grants relating to income are recognized as income over the periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognized as income of the period in which it becomes receivable.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.
All revenue is stated net of the amount of goods and services tax (GST).
Interest revenue is recognized on a time proportional basis taking into account the effective yield on the financial assets.

l. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognized net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

m. **Comparative Figures**

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Reconciliation of Equity at 1 July 2004

There are no items required to reconcile total equity for the economic entity or the parent entity presented under AGAAP to that under AIFRSs.

Reconciliation of Equity at 30 June 2005

There are no items required to reconcile total equity for the economic entity or the parent entity presented under AGAAP to that under AIFRSs.

Reconciliation of Profit and Loss for 2005

There are no items required to reconcile total equity for the economic entity or the parent entity presented under AGAAP to that under AIFRSs.

Options

Options granted to directors and employees after 7 November 2002 have all vested before 1 January 2005 and in accordance with AASB 1 paragraph 26b Jumbuck Entertainment Ltd have opted not to bring these to account. The fair value of these options have been previously disclosed in the company's financial report and details of employee option arrangements are set out in note 26.

NOTES TO THE FINANCIAL STATEMENTS

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 3: REVENUE					
Operating activities					
— rendering of services		11,245,603	7,053,863	11,187,599	7,053,863
— interest received	3a	260,559	64,971	260,559	64,971
— Export Development Grant		117,124	173,832	117,124	173,832
Total Revenue		11,623,286	7,292,666	11,565,282	7,292,666
a. Interest revenue from:					
— other persons		260,559	64,971	260,559	64,971
Total interest revenue		260,559	64,971	260,559	64,971

NOTE 4: PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax has been determined after:

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Depreciation of non-current assets:				
— Plant and equipment	99,751	66,625	91,711	66,625
— Furniture and fittings	5,623	2,954	5,623	2,954
— Other assets	21,752	11,394	21,752	11,394
— Leasehold improvements	21,249	8,494	21,249	8,494
Total depreciation	148,375	89,467	140,335	89,467
Amortisation of intangibles:				
— Development cost – Games	457,146	416,347	457,146	416,347
— Development cost – Messaging	234,716	67,176	234,716	67,176
Total Amortisation	691,862	483,523	691,862	483,523
Total depreciation and amortisation	840,237	572,990	832,197	572,990
Bad and doubtful debts:				
— trade debtors	-	12,000	-	12,000
Rental expense on operating leases	81,600	109,542	81,600	109,542
— minimum lease payments				
Foreign currency translation losses	(65,287)	(72,461)	(65,287)	(72,461)
Employee benefits expense				
— Employee options	39,101	-	39,101	-
— Other employee benefits expense	3,047,394	1,916,345	2,987,572	1,916,345
Total employee benefits expense	3,086,495	1,916,345	3,026,673	1,916,345

NOTES TO THE FINANCIAL STATEMENTS

		Economic Entity		Parent Entity	
NOTE 5: INCOME TAX EXPENSE		2006 $	2005 $	2006 $	2005 $
a.	The components of tax expense comprise:				
	Current tax	1,515,434	165,126	1,519,353	165,126
	Deferred tax	120,847	307,306	120,847	307,306
	Over provision from prior years	(194,648)	-	(194,648)	-
		1,441,633	472,432	1,445,552	472,432
b.	The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
	Profit before income tax	5,741,249	3,174,554	5,754,311	3,174,554
	Prima facie tax on profit before income tax at 30 %	1,722,374	952,363	1,726,293	952,363
	Tax effect of:				
Add					
—	Non-allowable legal fees	-	20,419	-	20,419
—	Non-allowable options expense	11,730	-	11,730	-
—	Temporary difference - other	-	1,679	-	1,679
Less					
—	Net R & D allowable items	(97,823)	(502,029)	(97,823)	(502,029)
—	Over provision for income tax in prior year	(194,648)	-	(194,648)	-
	Income tax attributable to entity	1,441,633	472,432	1,445,552	472,432

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: KEY MANAGEMENT PERSONNEL REMUNERATION

a. Names and positions held of Economic and Parent Entity key management personnel in office at any time during the financial year are:

Directors	
Mr K V Campbell	Chairman — Non-Executive
Mr P G Choiselat	Managing Director— Executive
Mr A P Risch	Director — Executive
Mr B R Bennie	Director — Non-Executive
Hon J G Kennett	Director — Non-Executive
Key management personnel	
Ms C Chan	Company Secretary (resigned, 25th August 2005)
Ms M A Chuah	Chief Financial Officer
Ms T D Herbst	Company Secretary (appointed, 25th August 2005)
Ms O P Hilton	Chief Executive Officer
Mr K M Stedman	Marketing Executive

b. Compensation Practices
Refer Remuneration Report segment of the Directors' Report..

c. Key Management Personnel Compensation
As allowed under the Corporation's Regulations 2001, the Company has chosen to disclose key management personnel remuneration in the Remuneration Report section of the Directors' Report. Refer Table B and Table C in the Remuneration Report segment of the Directors' Report.

d. Compensation Options
As allowed under the Corporation's Regulations 2001, the Company has chosen to disclose key management personnel options in the Remuneration Report section of the Directors' Report. Refer Table D in the Remuneration Report segment of the Directors' Report.

e. Shares issued on Exercise of Compensation Options
No shares were issued under this category.

f. Options and rights holdings
Refer to Table C in the Directors' Report for existing options.

g Shareholdings
Number of Shares held by key management personnel

	Balance 01.07.05	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.06
Directors					
Mr B R Bennie	20,000	-	188,889	-	208,889
Mr K V Campbell	110,957	-	-	-	110,957
Mr P G Choiselat	5,945,682	-	-	-	5,945,682
Hon J G Kennett	191,388	-	-	119,800	311,188
Mr A P Risch	2,796,337	-	1,111,111	(583,031)	3,324,417
Sub total	9,064,364	-	1,300,000	(463,231)	9,901,133
Key management personnel					
Ms C Chan	15,735	-	-	(5,000)	10,735
Ms M A Chuah	100,000	-	-	-	100,000
Mr K M Stedman	1,144,485	-	666,667	(555,718)	1,255,434
Ms O P Hilton	20,000	-	-	3,000	23,000
Sub total	1,280,220	-	666,667	(557,718)	1,389,169
Total	10,344,584	-	1,966,667	(1,020,949)	11,290,302

* Net Change other refers to shares purchased or sold during the financial year.

The compensation the key management personnel of the consolidated and parent entity, is set out below:

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: KEY MANAGEMENT PERSONEL REMUNERATION(Cont.)

	2006 $	2005 $
Short-term employee benefits	1,492,374	701,477
Share based payment	19,073	-
Post-employment benefits	-	-
Other long term employee benefits	-	-
Termination benefits	-	-
Total Compensation	1,511,447	701,477

	Economic Entity		Parent Entity	
	2006 $	2005 $	2006 $	2005 $
NOTE 7: AUDITORS' REMUNERATION				
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	43,500	25,500	26,250	25,500
— other services	250	900	250	900
	43,750	26,400	26,500	26,400

NOTE 8: EARNINGS PER SHARE

	2006	2005
a.Reconciliation of earnings to net profit		
Net Profit	4,299,616	2,702,112
Net Profit attributable to outside equity interest	-	-
Net Profit used in the calculation of basic EPS	4,299,616	2,702,112
Net Profit used in the calculation of dilutive EPS	4,299,616	2,702,112
b.weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	45,935,455	43,066,556
Shares deemed to be issued for no consideration in respect of the employee options.	137,049	-
Weighted average number of ordinary shares outstanding during the the year used in calculation of dilutive EPS	46,072,504	43,066,556

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earning per share.

2006 No.	2005 No
2,600,000	2,322,222

NOTE 9: CASH AND CASH EQUIVALENTS

	Economic Entity 2006	Economic Entity 2005	Parent Entity 2006	Parent Entity 2005
Cash at bank	5,859,745	2,214,009	5,662,920	2,214,009
Cash on hand	1,373	1,015	1,015	1,015
	5,861,118	2,215,024	5,663,935	2,215,024
Reconciliation of Cash				
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:				
Cash	5,861,118	2,215,024	5,663,935	2,215,024
Net Cash	5,861,118	2,215,024	5,663,935	2,215,024

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 10: TRADE AND OTHER RECEIVABLES				
CURRENT				
Trade debtors	2,418,039	1,940,209	2,373,525	1,940,209
Allowance for doubtful debts	-	(38,178)	-	(38,178)
	2,418,039	1,902,031	2,373,525	1,902,031
Other debtors	197,131	23,235	197,131	23,235
Accrued income	38,981	517,836	38,981	517,836
GST receivable	16,364	-	16,364	-
Loan to Jumbuck International Pty Ltd	-	-	8,661,271	-
	2,670,515	2,443,102	11,287,272	2,443,102
NOTE 11: OTHER ASSETS				
CURRENT				
Prepayments	42,609	184,635	42,609	184,635
	42,609	184,635	42,609	184,635

NOTE 12: CONTROLLED ENTITIES

a. **Controlled Entities**

	Country of Incorporation	Percentage Owned 2006	Percentage Owned 2005
Parent Entity:			
Jumbuck Entertainment Ltd	Australia	-	-
Subsidiaries of Jumbuck Entertainment Ltd:			
Jumbuck International Pty Ltd	Australia	100	-
Jumbuck Community GmbH	Germany	100	-
Community Development and Support Ltd	Ukraine	100	-
Jumbuck Share Plan Pty Ltd	Australia	100	-

b. **Controlled Entities Purchased**

Refer to note 30 for details on the acquisition and incorporation of controlled entities.

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 13: PLANT AND EQUIPMENT				
Plant and equipment				
At cost	833,352	390,726	514,893	390,726
Accumulated depreciation	(309,861)	(210,110)	(301,821)	(210,110)
	523,491	180,616	213,072	180,616
Furniture and Fittings				
At cost	57,489	32,164	54,164	32,164
Accumulated depreciation	(12,889)	(7,266)	(12,889)	(7,266)
	44,600	24,898	41,275	24,898
Other assets				
At Cost	113,134	85,897	113,134	85,897
Accumulated depreciation	(67,173)	(45,421)	(67,173)	(45,421)
	45,961	40,476	45,961	40,476
Leasehold improvements				
At Cost	250,230	79,327	250,230	79,327
Accumulated depreciation	(29,743)	(8,494)	(29,743)	(8,494)
	220,487	70,833	220,487	70,833
Total Plant and Equipment	834,539	316,823	520,795	316,823

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13: PLANT AND EQUIPMENT (Cont.)

a. Movements in Carrying Amounts
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

Economic Entity:

	Plant and Equipment $	Furniture and Fittings $	Other assets $	Leasehold $	Total $
Economic Entity:					
Balance at the beginning of year	180,616	24,898	40,476	70,833	316,823
Additions	124,167	25,325	27,237	170,903	347,632
Additions via acquisition	318,459	-	-	-	318,459
Depreciation expense	(99,751)	(5,623)	(21,752)	(21,249)	(148,375)
Carrying amount at the end of year	523,491	44,600	45,961	220,487	834,539

Parent Entity:

	Plant and Equipment $	Furniture and Fittings $	Other assets $	Leasehold $	Total $
Company:					
Balance at the beginning of year	180,616	24,898	40,476	70,833	316,823
Additions	124,167	22,000	27,237	170,903	344,307
Depreciation expense	(91,711)	(5,623)	(21,752)	(21,249)	(140,335)
Carrying amount at the end of year	213,072	41,275	45,961	220,487	520,795

b. Impairment losses
There has been no impairment losses for this financial year ending 30th June 2006 and 30th June 2005.

		Economic Entity		Parent Entity	
NOTE: 14 OTHER FINANCIAL ASSETS		2006 $	2005 $	2006 $	2005 $
CURRENT PORTION					
Available-for-sale financial assets	14a	245,320	-	-	-
a. Investment in unlisted entities at cost					
-- Shares in other corporations		245,320			
-- Shares in controlled entities		-	-	4	-
		245,320	-	4	-

NOTES TO THE FINANCIAL STATEMENTS

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 15: INTANGIBLES					
CURRENT					
Gross carrying value					
Balance at beginning of financial year		1,392,381	-	1,392,381	-
Additions from internal developments		1,116,821	1,392,381	1,116,821	1,392,381
Additions from acquisitions – Goodwill	30	8,128,333	-	-	-
Balance at end of financial year		10,637,535	1,392,381	2,509,202	1,392,381
Accumulated amortisation and impairment					
Balance at beginning of financial year		(483,523)	-	(483,523)	-
Amortisation expense		(691,862)	(483,523)	(691,862)	(483,523)
Balance at end of financial year		(1,175,385)	(483,523)	(1,175,385)	(483,523)
Net book value					
At beginning of financial year		908,858	-	908,858	-
At end of financial year		9,462,150	908,858	1,333,817	908,858

	Note	Goodwill $	Development Costs $	Total $
Economic Entity:				
Year ended 30 June 2005				
Balance at the beginning of year		-	-	-
Internal development		-	1,392,381	1,392,381
Amortisation charge		-	(483,523)	(483,523)
		-	908,858	908,858
Year ended 30 June 2006				
Balance at the beginning of year		-	908,858	908,858
Internal development		-	1,116,821	1,116,821
Acquisition of WAP 3 Community business	30	8,128,333	-	8,128,333
Amortisation charge		-	(691,862)	(691,862)
Closing value at 30 June 2006		8,128,333	1,333,817	9,462,150

For details of goodwill acquired in the year ended 30th June 2006, refer to note 30.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: INTANGIBLES (Cont.)

	Goodwill	Development Costs	Total
	$000	$000	$000
Parent Entity:			
Year ended 30 June 2005			
Balance at the beginning of year	-	-	-
Internal development	-	1,392,381	1,392,381
Amortisation charge	-	(483,523)	(483,523)
	-	908,858	908,858
Year ended 30 June 2006			
Balance at the beginning of year	-	908,858	908,858
Internal development	-	1,116,821	1,116,821
Acquisition of community business	-	-	-
Acquisition of Community Development and Support Ltd	-	-	-
Amortisation charge	-	(691,862)	(691,862)
Closing value at 30 June 2006	-	1,333,817	1,333,817

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement. Goodwill has an indefinite life.

There were no impairment indications as at 30 June 2006 for assets held by Jumbuck Entertainment Ltd. The discounted cash flow method of calculation was used to confirm that the carrying value of assets in the books of the Company was not greater than its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 16: TRADE AND OTHER PAYABLES					
CURRENT					
Unsecured liabilities					
Trade payables		477,534	37,881	477,534	37,881
Sundry payables and accrued expenses		545,141	278,735	497,058	278,735
GST payable		-	8,825	-	8,825
Amounts payable to director related entities		35,300	17,640	35,300	17,640
		1,057,975	343,081	1,009,892	343,081

NOTE 17: TAX

a Liabilites

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CURRENT				
Income tax	888,353	73,801	892,272	73,801

b.Deferred tax balances

Deferred tax liability comprises:

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Opening balance	294,267	-	294,267	-
Charged to income	120,847	294,267	120,847	294,267
Closing balance	415,114	294,267	415,114	294,267

Taxable and deductible temporary differences arise from the following:

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Gross deferred tax liabilities				
Opening balance	452,363	-	452,363	-
Capitalisation of development cost	335,046	417,714	335,046	417,714
Other	5,090	34,649	5,090	34,649
Closing balance	792,499	452,363	792,499	452,363
Gross deferred tax assets				
Opening balance	158,096	13,039	158,096	13,039
Options expense	11,730	-	11,730	-
Amortisation of development cost	207,559	145,057	207,559	145,057
Closing balance	377,385	158,096	377,385	158,096
Net Deferred tax liability	415,114	294,267	415,114	294,267

NOTE 18: OTHER

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CURRENT				
Billings in Advance	62,342	38,265	62,342	38,265
	62,342	38,265	62,342	38,265

NOTES TO THE FINANCIAL STATEMENTS

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 19: PROVISIONS					
CURRENT					
Employee entitlements	19a	165,861	168,670	165,861	168,670
a. Aggregate employee benefits liability		165,861	168,670	165,861	168,670
b. Number of employees at year-end					
- Casual employees		61	41	61	41
- Full time employees		49	24	23	24
Total employees		110	65	84	65

NOTE 20: ISSUED CAPITAL

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
48,262,448 (2005:43,162,448) Fully paid ordinary shares	20a	9,219,173	2,414,440	9,219,173	2,414,440
		9,219,173	2,414,440	9,219,173	2,414,440
a. Ordinary shares					
At the beginning of the reporting period		2,414,440	2,274,440	2,414,440	2,274,440
Share issued 20/8/04 – Short Form Prospectus			140,000		140,000
280,000 options excercised on 12/09/05		170,100	-	170,100	-
831,111 options excercised on 23/09/05		504,900	-	504,900	-
855,556 options excercised on 24/11/05		519,750	-	519,750	-
133,333 options excercised on 18/01/06		81,000	-	81,000	-
3,000,000 share placement on 09/05/06		5,700,000	-	5,700,000	-
Cost of share placement		(171,017)	-	(171,017)	-
At reporting date		9,219,173	2,414,440	9,219,173	2,414,440

	No.	No.	No.	No.
No of shares at the beginning of reporting period	43,162,448	42,462,448	43,162,448	42,462,448
Share issued 20/8/04 – Short Form Prospectus	-	700,000	-	700,000
280,000 options excercised on 12/09/05	280,000	-	280,000	-
831,111 options excercised on 23/09/05	831,111	-	831,111	-
855,556 options excercised on 24/11/05	855,556	-	855,556	-
133,333 options excercised on 18/01/06	133,333	-	133,333	-
3,000,000 share placement on 09/05/06	3,000,000	-	3,000,000	-
At reporting date	48,262,448	43,162,448	48,262,448	43,162,448

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: ISSUED CAPITAL (Cont.)

b. Options	Note	2006 No.	2005 No.
No of options at the beginning of reporting period		2,322,222	3,811,111
Options lapsed on 1 July 2004 at exercise price of 121.50 cents		-	(1,111,111)
Options lapsed on 10 June 2005 at exercise price of 60.75 cents		-	(377,778)
280,000 options excercised on 12/09/05		(280,000)	-
831,111 options excercised on 23/09/05		(831,111)	-
855,556 options excercised on 24/11/05		(855,556)	-
133,333 options excercised on 01/6/06		(133,333)	-
2,050,000 options granted on 05/05/06		2,050,000	-
550,000 options granted on 01/06/06		550,000	-
At reporting date		2,822,222	2,322,222

i. For information relating to the Jumbuck Entertainment Ltd Incentive Option Scheme, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 25.
ii. For information relating to share options issued to directors including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 25.
iii. At 30 June 2006, there were 2,822,222 unissued ordinary shares for which options were outstanding.

	Grant Date	Expiry date	Exercise Price (cents)	Balance 01.07.05	Options Granted	Options Excercised	Options Expired	Total Balance 30.06.06
Directors								
Mr B R Bennie	24/05/04	27/11/05	60.75	188,889	-	(188,889)	-	-
Hon J G Kennett	24/05/04	18/12/06	60.75	222,222	-	-	-	222,222
Mr A P Risch	24/05/04	27/11/05	60.75	1,111,111	-	(1,111,111)	-	-
				1,522,222	-	(1,300,000)	-	222,222
Employees, former employees, consultants and former directors								
Ms J Chen	05/05/06	30/09/10	205.00	-	16,666	-	-	16,666
Ms J Chen	05/05/06	30/09/11	225.00	-	16,666	-	-	16,666
Ms J Chen	05/05/06	30/09/12	248.00	-	16,668	-	-	16,668
Ms O P Hilton	05/05/06	30/09/10	205.00	-	333,333	-	-	333,333
Ms O P Hilton	05/05/06	30/09/11	225.00	-	333,333	-	-	333,333
Ms O P Hilton	05/05/06	30/09/12	248.00	-	333,334	-	-	333,334
Mr H Jurna	01/06/06			-	50,000			50,000
Mr K Lindell	05/05/06	30/09/10	205.00	-	41,666	-	-	41,666
Mr K Lindell	05/05/06	30/09/11	225.00	-	41,666	-	-	41,666
Mr K Lindell	05/05/06	30/09/12	248.00	-	41,668	-	-	41,668
Mr B Milton	24/05/04	14/01/06	60.75	133,333	-	(133,333)	-	-
Mr B Milton	05/05/06	30/09/10	205.00	-	250,000	-	-	250,000
Mr B Milton	05/05/06	30/09/11	225.00	-	250,000	-	-	250,000
Mr B Milton	05/05/06	30/09/12	248.00	-	250,000	-	-	250,000
Mr B Palme	01/06/06			-	200,000	-	-	200,000
Mr Y A Rozhyk	01/06/06			-	100,000	-	-	100,000
Mr U S Sorokin	01/06/06			-	200,000	-	-	200,000
Mr K M Stedman	24/05/04	27/11/05	60.75	666,667	-	(666,667)	-	-
Mr R Stedman	05/05/06	30/09/10	205.00	-	41,666	-	-	41,666
Mr R Stedman	05/05/06	30/09/11	225.00	-	41,666	-	-	41,666
Mr R Stedman	05/05/06	30/09/12	248.00	-	41,668	-	-	41,668
				800,000	2,600,000	(800,000)	-	2,600,000
Total				2,322,222	2,600,000	(2,100,000)	-	2,822,222

NOTES TO THE FINANCIAL STATEMENTS

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent 2006 $	Parent 2005 $
NOTE 21: RETAINED PROFITS/(ACCUMULATED LOSSES)					
Retained profits at the beginning of the financial year		2,735,918	33,806	2,735,918	33,806
Net profit attributable to the members of the entity		4,299,616	2,702,112	4,308,759	2,702,112
Retained profits at the end of the financial year		7,035,534	2,735,918	7,044,677	2,735,918
NOTE 22: RESERVES					
Employee equity settled benefits		279,201	-	39,101	-
Foreign currency translation		(7,301)	-	-	-
		271,900	-	39,101	-
Employee equity settled benefits reserve					
Opening balance at beginning of the year		-	-	-	-
Share based payment	a	39,101	-	39,101	-
Share based payment on acquisition of controlled entity	b	240,100	-	-	-
Balance at end of the financial year		279,101	-	39,101	-

a. Employee equity settled benefits reserve arises on the grant of share options to executives under the executive share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payments to employees is in note 20 to the financial statements

b.The issued options reserve arises on the issue of share options to vendors of the community business. The options are capitalised at fair value as part of the acquisition cost. Refer to note 30. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

	Economic Entity 2006 $	Economic Entity 2005 $	Parent 2006 $	Parent 2005 $
Foreign currency translation reserve				
Opening balance at beginning of the year	-	-	-	-
Foreign currency translation	(7,301)	-	-	-
Balance at end of the financial year	(7,301)	-	-	-

Exchange differences relating to the translation of foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.
UAH is the functional currency of the economic entity's foreign controlled entity, Community Development and Support Ltd.
The Euro is the functional currency of the economic entity's foreign controlled entity, Jumbuck Community Gmbh.

NOTE 23: CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitments
Non-cancellable operating leases contracted for but not capitalised in the financial statements
Payable

	Economic Entity 2006 $	Economic Entity 2005 $	Parent 2006 $	Parent 2005 $
— not later than 1 year	123,466	87,467	81,600	87,467
— Later than 1 year but under 5 years	18,000	81,600	-	81,600
Total non capitalised commitment	141,466	169,067	81,600	169,067
Capital commitments	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24: SEGMENT REPORTING

Primary reporting — Business segment
The Company has only one business segment:
- Mobile Data Service Provider

Secondary reporting — Geographical segments

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisitions of Non-current Segment Assets	
	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$
Geographical location:						
Australia	1,103,644	1,922,392	8,033,737	4,367,426	347,632	1,685,988
Asia Pacific	745,679	373,189	73,389	89,276	-	-
Europe	1,614,550	1,224,403	9,381,896	314,128	318,459	-
The Americas	8,155,993	3,762,612	1,626,547	1,294,155	-	-
Middle East	3,420	10,070	682	3,457	-	-
	11,623,286	7,292,666	19,116,251	6,068,442	666,091	1,685,988

The Company's business is located in Australia, with mobile data services being exported to other countries.

Accounting Policies
Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists.
Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers:
There are no intersegment transfers.

NOTE 25: CASH FLOW INFORMATION

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
a. **Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities before Income Tax**				
Profit from ordinary activities before income tax	5,741,249	2,702,112	5,754,311	2,702,112
Cash flows excluded from profit from ordinary activities attributable to operating activities:				
Non-cash flows in profit from ordinary activities				
Depreciation	148,376	89,467	140,335	89,467
Amortisation of Intangible Assets	691,862	483,523	691,862	483,523
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
Increase in trade and term debtors	(250,256)	(946,820)	(396,513)	(946,820)
Decrease in trade creditors and accruals	492,292	(26,060)	433,020	(26,060)
(Increase)/decrease in prepayments	142,026	(16,169)	142,026	(16,169)
Increase in deferred tax asset	-	13,039	-	13,039
Increase/(decrease) in Provision for Income tax	(633,061)	34,454	(633,061)	34,454
Increase/(decrease) in provisions	(1,886)	102,168	(1,886)	102,168
Cash flow from operations	6,330,602	2,435,714	6,130,094	2,435,714

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26: EMPLOYEE BENEFITS

Jumbuck Entertainment Ltd has established an employee option plan called the Jumbuck Incentive Option Scheme ("Scheme"). The Scheme is designed to provide a long-term incentive for employees and Directors of Jumbuck Entertainment Ltd. It allows them to participate in Jumbuck Entertainment Ltd's future growth and provides them with an incentive to increase profitability and returns to shareholders. Full time employees, part-time employees, directors and contractors of Jumbuck Entertainment Ltd are eligible to participate in the Scheme. Notwithstanding their eligibility to participate, the Directors have elected not to do so and instead submit recommendations for the grant of options for shareholder approval pursuant to ASX Listing Rule 10.17.
The entitlement of eligible participants under the Scheme is at the absolute discretion of the Directors.
The exercise price of each option offered pursuant to the Scheme is also at the discretion of the Directors.
The total number of options which may be issued under the Scheme may not exceed 5% of the total number of issued shares in Jumbuck Entertainment Ltd as at the time of the proposed offer or issue.
The options hold no voting or dividend rights, and are not transferable.

		Economic Entity		Parent Entity	
		2006	2005	2006	2005
		No.	No.	No.	No.
a.	Movement in the number of share options held by directors are as follows:				
	Opening balance	1,522,222	2,633,333	1,522,222	2,633,333
	Granted during the year	-	-	-	-
	Exercised during the year*	(1,300,000)	-	(1,300,000)	-
	Lapsed during the year	-	(1,111,111)	-	(1,111,111)
	Closing Balance	222,222	1,522,222	222,222	1,522,222
	Movement in the number of share options held by employees, former employees, consultants and former directors are as follows:				
	Opening balance	800,000	1,177,778	800,000	1,177,778
	Granted during the year	2,600,000	-	2,600,000	-
	Exercised during the year*	(800,000)	-	(800,000)	-
	Lapsed during the year	-	(377,778)	-	(377,778)
	Closing Balance	2,600,000	800,000	2,600,000	800,000

* The weighted average share price of the options excercised was $1.68

b. Details of share options held by directors outstanding as at end of year:

Grant Date	Expiry and Exercise Date	Exercise Price	Economic Entity 2006	Economic Entity 2005	Parent Entity 2006	Parent Entity 2005
24/05/04	27/11/05	60.75 cents	-	188,889	-	188,889
24/05/04	27/11/05	60.75 cents	-	1,111,111	-	1,111,111
24/05/04	18/12/06	60.75 cents	222,222	222,222	222,222	222,222
			222,222	1,522,222	222,222	1,522,222

Details of share options held by employees, former employees, consultants and former directors outstanding as at end of year:

Grant Date	Expiry and Exercise Date	Exercise Price	Economic Entity 2006	Economic Entity 2005	Parent Entity 2006	Parent Entity 2005
24/05/04	27/11/05	60.75 cents	-	666,667	-	666,667
24/05/04	14/01/06	60.75 cents	-	133,333	-	133,333
05/05/06	30/09/10	205.00 cents	683,331	-	683,331	-
05/05/06	30/09/11	225.00 cents	683,331	-	683,331	-
05/05/06	30/09/12	248.00 cents	683,338	-	683,338	-
01/06/06	01/06/09	210.00 cents	550,000	-	550,000	-
			2,600,000	800,000	2,600,000	800,000

NOTES TO THE FINANCIAL STATEMENTS

NOTE 27: EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTE 28: RELATED PARTY TRANSACTIONS

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
i. Director Related Entities:				
Fees charged at arms length were paid to Q Ltd (a company associated with Messrs Campbell, Bennie, Choiselat and Kennett, directors of Jumbuck Entertainment Ltd) for printing services throughout the year.	34,478	10,174	34,478	10,174
Mr Choiselat, by virtue of being a Director of, and a shareholder in Beconwood Securities Pty Ltd (a substantial shareholder in Jumbuck Entertainment Ltd) had an interest in the fees and /or commercial benefits arising from the following arrangements;				
Beconwood Securities Pty Ltd has an arrangement to supply certain facilities and services to Jumbuck Entertainment Ltd, which are on normal commercial terms and conditions no more favourable than those available to other parties. Total paid to Beconwood Securities Pty Ltd	255,501	115,092	255,501	115,092
Share placement fees of 3% was charged by Beconwood Securities Pty Ltd for the placement of 3,000,000 shares on behalf of Jumbuck Entertainment Ltd.	171,000	-	171,000	-
ii. Share Transactions of Directors				
Directors and director related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in members of the Company:				
Jumbuck Entertainment Ltd				
— ordinary shares	9,901,133	9,064,364	9,901,133	9,064,364
— options over ordinary shares	222,222	1,522,222	222,222	1,522,222

Ordinary shares and options to acquire ordinary shares

Directors and their related entities:

(a) net sale of 463,231 ordinary shares in Jumbuck Entertainment Ltd;

(b) options to acquire 1,111,111 ordinary shares in Jumbuck Entertainment Ltd was exercised during the year;

(c) No options were issued during the year.

NOTE 29: FINANCIAL INSTRUMENTS

:Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the eff

	Weighted Average Effective Interest Rate		Floating Interest Rate$		Fixed Interest Rate Maturing: Within Year $		1 to 5 Years $		Over 5 Years $		Non-interest Bearing $		Total $	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Assets:														
Cash	6.00	3.10	5,861,118	2,215,024	-	-	-	-	-	-	-	-	5,861,118	2,215,024
Receivables	-		-	-	-	-	-	-	-	-	2,670,513	2,443,102	2,670,513	2,443,102
Total Financial Assets				2,215,024	-	-	-	-	-	-	2,670,513	2,443,102	8,531,631	4,658,126
Financial Liabilities:														
Trade and sundry creditors			-	-	-	-	-	-	-	-	1,022,675	325,441	1,022,675	325,441
Employee entitlements			-	-	-	-	-	-	-	-	165,861	168,670	165,861	168,670
Amounts payable related			-	-	-	-	-	-	-	-	35,300	17,640	35,300	17,640
Total Financial Liabilities			-	-	-	-	-	-	-	-	1,223,836	511,751	1,223,836	511,751

NOTES TO THE FINANCIAL STATEMENTS

NOTE 29: FINANCIAL INSTRUMENTS (Cont.)

Credit Risk

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, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.
The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

Net Fair Values

The carrying amounts of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values. Fair values are determined by reference to standard terms and conditions, quoted market prices, where available, or discounting expected future cash flows
For other assets and other liabilities the net fair value approximates their carrying value.

NOTE 30: ACQUISITION OF BUSINESS

Name of business acquired	Principal activity	Date of acquisition	Shares acquired %	Cost of acquisition $	Cost of acquisition
Jumbuck International Ltd	Investment	7th May 2006	100	2	
WAP 3 Community business	Mobile data services and support	1st June 2006	-	8,701,373	
Jumbuck Share Plan Pty Ltd	Manage company's employee share plan	3rd January 2006	100	2	

Cost incurred on acquisitions in the year ended 30 June 2006 :
On 1 June 2006 the Company acquired the trading business and certain assets of WAP 3 Technologies GmbH for total consideration of $8,701,373 comprising cash of $7,747,297, issue of 550,000 options amounting to a fair value of $240,100 (as determined by independent valuer) and incurring acquisition costs of $713,976. The purchase agreements for the WAP 3 Community business provide for deferred earnout payments tied to its performance until May 2007.
The acquired net assets were provisionally ascribed the following valuations:

	Book Value	Fair Value
Cash and cash equivalent	9,261	9,261
Investments in available for sale securities (note 14)	2,358,103	245,320
Property, plant and equipment	115,923	115,923
Software	202,536	202,536
Net assets acquired	2,685,823	573,040
Consideration paid		8,701,373
Goodwill on acquisition		8,128,333
Consideration satisfied by:		
Cash, net of cash acquired		8,040,237
Options		240,100
Transaction costs accrued		421,036
		8,701,373

NOTES TO THE FINANCIAL STATEMENTS

NOTE 30: ACQUISITION OF BUSINESS (Cont.)

The parent entity has paid a premium for the acquisition of the WAP 3 Community business as it believes the acquisitions will introduce additional synergies to its existing operations and provide new technology and services adding to future growth opportunities. The acquisitions will diversify operating earnings across a wider network of carriers with entry into strong markets for community/chat services and greatly enlarges the Jumbuck service offering in Europe and South America.

As part of the acquisition, the Company incorporated two subsidiaries, Jumbuck Community Gmbh incorporated in Germany and Community Development Support Ltd, incorporated in Ukraine to hold the acquired WAP 3 Community Business. The Company holds 100% of the subsidiaries through a newly incorporated intermediate holding company, Jumbuck International Pty Ltd, incorporated on 7 May 2006 with equity of $2.

Included in the Company's net profit before tax for the period is $13,062 of losses generated by the acquisitions.

These fair value allocations are provisional and management is still in the process of evaluating the fair values of the assets and liabilities acquired, and the segment to which such goodwill is allocable.

NOTE 31: CONTINGENT LIABILITIES

There are no contingent liabilities.

DIRECTORS' DECLARATION

The Directors declare that:

a. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

b. In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

c. The directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors.

P G Choiselat
Director

29th "August 2006

DTT Victoria

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Independent audit report to the members of Jumbuck Entertainment Limited

Scope

The financial report, compensation disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both **Jumbuck Entertainment Limited** (the company) and the consolidated entity, for the financial year ended **30 June 2006** as set out on pages 24 to 52. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the compensation of key management personnel as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures* ("AASB 124") ("the compensation disclosures"), under the heading "remuneration report" in pages 11 to 16 of the directors' report and not in the financial report. The compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the preparation and presentation of the compensation disclosures contained in the directors' report in accordance with the *Corporations Regulations 2001*.

Audit approach

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them 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 and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001

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DTT Victoria has changed its name from BDO and is a continuation of that Victorian partnership. The partners of DTT Victoria have also joined the Australian partnership of Deloitte Touche Tohmatsu.
All changes with effect from 14 August 2006.

DTT Victoria

so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations, their changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

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 made by the directors.

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

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

Audit Opinion

In our opinion:

(1) the financial report of Jumbuck Entertainment Limited is in accordance with 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

(2) the compensation disclosures that are contained in pages 11 to 16 of the directors' report comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures*.

DTT Victoria

DTT VICTORIA

R D D Collie
Partner
Chartered Accountants
Melbourne, 29 August 2006

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All changes with effect from 14 August 2006.

jumbuck®

Additional Investor Information

Stock Exchange Listing
JMB is listed on ASX under the code JMB for ordinary shares.

Distributions
No distributions or dividends have been paid by JMB for the year.

Registry
Computershare Investor Services Pty Limited is JMB's security register manager and holds all shareholder records electronically. Computershare is also responsible for the maintenance of shareholder records and the preparation of distribution payments. Contact details for Computershare are set out on the inside back cover.

Investor Support
If you have any queries regarding your investment, please contact Computershare toll free on 1300 137 328 or visit their website at www.computershare.com.au. Please note there is a section of the website designed to provide shareholders with the forms necessary to initiate changes of the details held at the registry. This service is available from 8.30am to 5.30pm (Melbourne time) on all business days. Enquiries may also be e-mailed via JMB's website (at www.jumbuck.com) or Computershare's website (at www.computershare.com.au).

Requests for changes to your holding details, distribution payment details, or general enquires can all be directed to the Computershare Shareholder Service Centre.

Annual Report
All shareholders are entitled to receive a copy of the Annual Report. If you do not require the Annual Report, or if you receive more copies than you require, please notify Computershare at the address shown on the inside back cover. The Annual Report and Financial Statements can also be downloaded from the Reports and Publications area of our website at www.jumbuck.com

Annual General Meeting
JMB's last Annual General Meeting was held on 27 October 2005. Shareholders endorsed the re-appointment of Bruce Bennie, and were given an overview of the performance of the Company.

The next Annual General Meeting will be held on Thursday 26 October 2006 at Level 5, Bank House, 11 Bank Place, Melbourne, Victoria. The Notice of Meeting and Proxy Form are included with this Report.

Statement of Shareholders
JMB 20 largest ordinary shareholders and their holdings as at 15 August 2006:

Shareholder	No. of shares held	% of Issued Capital
Quad Holdings Pty Ltd	5,033,334	10.43
Beconwood Superannuation Pty Ltd <WSF A/C>	3,937,642	8.16
Mr Adrian Paull Risch	3,319,750	6.88
CTS Group Nominees Pty Ltd	2,500,000	5.18
Westpac Custodian Nominees Limited	2,225,300	4.61
XS Equities Pty Ltd	2,020,000	4.19
Beconwood Securities Pty Ltd <No 3 A/C>	1,463,956	3.03
ANZ Nominees Limited <Cash Income A/C>	1,454,593	3.01
Invia Custodian Pty Limited <Black A/C>	1,268,664	2.63
J P Morgan Nominees Australia Limited	1,256,715	2.60
Repysa Holdings Inc	1,038,358	2.15
Mr Kenneth William Breese + Mrs Jennifer Ruth Breese <BPD Executive Superfund A/C>	887,506	1.84
Kim Maxwell Stedman + Janice Catherine Stedman + Jeannie Doris Rogers <J & K Stedman	666,667	1.38
Kennadell Pty Ltd	655,557	1.36
UBS Nominees Pty Ltd	623,712	1.29

Sound Investments (WA) Pty Ltd	599,331	1.24
Invia Custodian Pty Limited <WAM Capital Limited A/C>	597,463	1.24
Mr John David Nicholas <Stedman Family A/C>	588,667	1.22
Cogent Nominees Pty Limited <SMP Accounts>	488,658	1.01
Citicorp Nominees Pty Limited	462,288	0.96
Top 20 holders of ORDINARY FULLY PAID SHARES as at 15 Aug 2006	31,088,161	64.41
Balance of shareholders	17,174,287	35.59
Total shares on issue	48,262,448	100.0

As at the date of this Report, the following options were held over unissued shares:

Name of Option Holder	Grant Date	Date of Expiry	Exercise Price ($)	Number Under Option
Hon J G Kennett	24/05/04	18/12/06	0.675	222,222
Ms J Chen	05/05/06	30/09/10	2.05	16,666
Ms J Chen	05/05/06	30/09/11	2.25	16,666
Ms J Chen	05/05/06	30/09/12	2.48	16,668
Ms O P Hilton	05/05/06	30/09/10	2.05	333,333
Ms O P Hilton	05/05/06	30/09/11	2.25	333,333
Ms O P Hilton	05/05/06	30/09/12	2.48	333,334
Mr H Jurna	01/06/06	01/06/09	2.10	200,000
Mr K Lindell	05/05/06	30/09/10	2.05	41,666
Mr K Lindell	05/05/06	30/09/11	2.25	41,666
Mr K Lindell	05/05/06	30/09/12	2.48	41,668
Mr B Milton	05/05/06	30/09/10	2.05	250,000
Mr B Milton	05/05/06	30/09/11	2.25	250,000
Mr B Milton	05/05/06	30/09/12	2.48	250,000
Mr B Palme	01/06/06	01/06/09	2.10	200,000
Mr Y A Rozhyk	01/06/06	01/06/09	2.10	100,000
Mr U S Sorokin	01/06/06	01/06/09	2.10	50,000
Mr R Stedman	05/05/06	30/09/10	2.05	41,666
Mr R Stedman	05/05/06	30/09/11	2.25	41,666
Mr R Stedman	05/05/06	30/09/12	2.48	41,668
Total				**2,822,222**

Distribution of Shareholders

Range	Fully paid ordinary shares as at 31 July 2006	Options
1 - 1,000	173	-
1,001 - 5,000	522	-
5,001 - 10,000	191	-
10,001 - 100,000	216	3
100,001 and over	56	7
Total number of holders	1,158	10
Holders of less than a marketable parcel	10	-

Substantial Shareholders

Shareholder	No. of securities held	Percentage held as per notice
Beconwood Securities Pty Ltd	5,945,682	12.32
Adrian Paull Risch	3,324,417	6.89
Quad Holdings Pty Ltd	5,902,665	12.23
Loucas Professional Services Pty Ltd	4,720,000	9.78

Voting Rights

Under the Company's Constitution, each member present at a general meeting is entitled:

1. on a show of hands, to one vote; and
2. on a poll, to one vote for each share held or represented.

Options do no carry voting rights.

Corporate Directory

Listed Entities Comprising JMB:
Jumbuck Entertainment Ltd
ABN 69 092 817 171

ASX Listing Code:
JMB (ordinary shares)

Website:
www.jumbuck.com

Registered office:
Level 5, Bank House
11 Bank Place
MELBOURNE VIC 3000
Telephone: 613 9691 4910
Facsimile: 613 9670 7932

Principal Place of Business:
Level 5, 500 Collins Street
Melbourne
Victoria 3000
Telephone: 613 9620 3839
Facsimile: 613 9620 3840

Directors of JMB:
Kevin V Campbell – Chairman
Paul G Choiselat – Managing Director
Adrian Risch - CEO
Bruce R Bennie
Hon Jeffrey G Kennett

CEO of JMB:
Olivia Hilton
Email: olivia@jumbuck.com

Company Secretary of JMB:
Tamira D Herbst
Email: therbst@beconwood.com.au

Share Registry:
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford
Vic 3067
www.computershare.com.au

Auditors of JMB:
BDO
563 Bourke Street
MELBOURNE VIC 3000

Glossary

ASX	Australian Stock Exchange
Auditor	auditor of JMB being BDO
Board	Board of Directors of JMB
BPR	Best Practice Recommendations of ASX Principles of Good Corporate Governance
CEO	Chief Executive Officer of JMB
CFO	Chief Financial Officer of JMB
Company	Jumbuck Entertainment Ltd
Group	JMB
JMB	Jumbuck Entertainment Ltd and its controlled entities
Jumbuck	JMB
Ordinary Shares	ordinary shares in JMB
pa	per annum
Year	financial year