

Q Ltd

ABN 13 083 160 909
Appendix 4E
Preliminary Final 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 Q Ltd ("The Group" or "QXQ" incorporating Q Ltd ACN 083 160 909 and its wholly owned subsidiaries). The following information should be read in conjunction with the most recent annual financial report together with any public announcements made by Q Ltd 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 QXQ is pleased to report the full year results for the period from 1 July 2005 to 30 June 2006. QXQ continued on the rebuilding and business focus, with integration and alignment of business interests, improvements in revenue and identification of complementary businesses.

Key QXQ Performance Statistics

Twelve months ending	June 2006	June 2005	Change (%)
	\$'000s	\$'000s	\$'000s
Revenue			
• Sales revenue			
Printing	5,261.2	5,117.4	▲ 2.8
Interactive advertising	3,005.2	39.6	n/c
Total	8,266.4	5,157.0	▲ 60.3
• Other revenue	57.8	9.6	▲ 504.2
Total	8,324.2	5,166.6	▲ 61.1
EBITDA	190.6	282.2	▼ 32.5
Less Depreciation	(553.7)	(528.6)	
EBIT - loss	(363.1)	(246.3)	▲ 47.4
Less Interest	(152.7)	(138.1)	
Net loss before tax attributable to members	(515.8)	(384.4)	▲ 34.2
Income tax benefit/(expense)	0.7	(-)	
Net loss after tax attributable to members	(515.1)	(384.4)	▲ 34.2
	cents	cents	
Earnings per share (basic) – Loss (cents)	(0.4)	(1.0)	▼ 60
NTA per share (cents)	0.3	(1.2)	N/C

Financial results

Revenue growth throughout FY2006 was strong with 60.3% increase in sales revenues from ordinary activities driven primarily from the new businesses acquired in FY2005. The interactive advertising division reported strong revenue growth for the year with an increase to over \$3 million for the business unit. The Board is very pleased with the early progress being made by this new acquisition.

The net loss after tax attributable to members arises partially from the print division which is facing a challenging environment. Revenue for the print division increased by 2.8% to \$5.4 million for the year. The lower than expected revenue was as a result of increased competition and a tightening in the corporate printing market as many corporates are now starting to use interactive media instead of print. EBITDA also fell due to the one-off costs of relocating digital and offset printing businesses into one location. Streamlining the print division into one central location is expected to allow the print division to deliver an improved result in FY2007.

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Increased corporate costs also contributed to the net loss after tax. This includes costs incurred in identifying and pursuing new acquisition opportunities. The Board considers this an integral part of pursuing the "growth by acquisition" component of its growth strategy.

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

Acquisitions

There were no acquisitions during FY2006. However, in July 2006, QXQ announced its acquisition of List Marketing Australasia Pty Ltd ("LMA") a list broking company. Work is continuing on further acquisitions and further details will be provided as transactions become unconditional.

Significant items

There were no significant items during FY2006.

Change to capital

Following approval by shareholders at the AGM in October 2005, a non-renounceable rights issue of 9 shares for every 4 held was completed, increasing the issued share capital to 159,705,576 ordinary shares and raising in excess of \$1.658 million. In addition, your Board placed 23,955,836 shares to professional and sophisticated investors in December 2005, raising a further \$359,000. The funds were utilized to repay debt incurred on acquisitions made in FY2005, working capital and funding future acquisitions.

In addition, in August 2006, a placement of up to 50 million shares to professional and sophisticated investors at an issue price of \$0.02 per share was approved by shareholders. This raising is to provide funds for the acquisition of LMA. Shareholders also approved further placement of up to 65 million shares to professional and sophisticated investors or vendors for acquisitions of other complementary businesses.

Share Statistics (at 30 June each year)	2006	2005
Total shares on issue – millions	183.66	49.14
Closing share price (cents)	2.0	2.6
Market capitalisation (\$ million)	3.67	1.28

Controlled entities

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

Subsequent events

On 21 July 2006, QXQ announced that it had entered into an agreement to purchase List Marketing Australasia Pty Ltd ("LMA"), a list broking company for a minimum purchase price of \$900,295. Completion of the purchase was subject to shareholder approval of a placement to professional and sophisticated investors to raise the funds for the purchase. A general meeting of shareholders was held on 23 August 2006 approving an issue of up to 50 million shares to provide the consideration for the acquisition of LMA.

Otherwise, 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 QXQ, the results of those operations, or the state of affairs of QXQ in future financial years.

Outlook

While trading conditions in the printing division remain challenging, a foundation has been laid for QXQ to focus on the burgeoning interactive advertising sector with the acquisitions of 3Di in FY2005 and LMA in FY2007. The Board intends to build on that foundation and deliver an improved performance in FY2007.

The Company remains focused on continuing the expansion into complementary businesses to deliver growth, to capitalize on the infrastructure in place and to gain critical mass. QXQ has the structure in place to extract value from its current divisions and to expand into complementary areas, as opportunities arise.

The Board has reason to be confident about the medium to long term outlook for QXQ.

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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Q LTD

2006 FINANCIAL REPORT

Q Ltd and Controlled Entities

ABN 13 083 160 909

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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 "Q" refers to Q 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.

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Message from the Chairman

Dear Fellow Shareholder,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Q Ltd ("Q") for the 2006 financial year.

Q has continued to rebuild its businesses in the printing and interactive advertising sectors in FY2006 following our acquisitions in June 2005 of 3 Dimension Interactive Pty Ltd ("3Di") and Project Services Australia Pty Ltd ("PSA"). Both acquisitions are now fully integrated and improving the performance of the Group. In addition, in July 2006 we announced the acquisition of List Marketing Australasia which further enhances our corporate strategy to pursue acquisitions that are synergistic such as list marketing companies, search and Directories companies.

Australia's \$778M online advertising market grew 59.4% last year¹. QXQ through 3Di (and soon LMA) has over FY2006 been building a useful share in this market. These new product areas will contribute significantly to both revenue and earnings in 2006/07 and beyond.

Q is well placed to continue capitalizing on the high growth interactive advertising sector.

Industry estimates the total online advertising expenditure in Australia at \$1 billion per annum for FY2007. QXQ is focused on this market and pursuing opportunities in this rapidly growing sector. This provides an excellent new driver for growth.

Your Board and Management will focus on organic growth for our existing businesses and also continue to look for acquisitions which will increase our diversity and add value to existing businesses. Any acquisitions will be subject to the requirement of being more productive for the benefit of shareholders, the employees and other stakeholders.

I would like to thank my fellow Directors and committed management and staff team for their time, dedication and efforts.

I would also like to convey the Board's thanks to our shareholders for your support. We look forward to another challenging and rewarding year.



Kevin V. Campbell AM
CHAIRMAN

¹ Australian Bureau of Verification Services (ABVS) figures report that online advertising revenues increased by 59.4% to \$778M in 2005-06.

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Managing Director's Review of Operations

Group Overview

I am pleased to report on the first full year since the Company's move into the interactive advertising sector in June 2005.

Early indications are that this move was timely and will be a successful one. The interactive advertising division delivered revenue of \$3.0 million in FY2006 compared to a base of just in excess of \$1 million in the year prior to its acquisition by QXQ. The focus of this division has been on revenue growth and this has been supported by increasing the number of personnel in its Sydney office and by opening a new office in Melbourne. This expansion in infrastructure has had a negative impact on profitability during FY2006, however, this focus on organic growth augurs well for an improved performance in FY2007 and onwards.

I am pleased to report that the PSA digital printing business which was acquired in June 2005 was fully integrated into the existing premises of our QDi printing business during the course of FY2006. The move into digital printing sector has allowed the Company to minimize the impact of continuing deterioration in the offset printing sector in the sales revenue performance of the QDi business. This integration has had a negative impact on expenses during FY2006, however, the combined business leaves the printing division in a better position going forward.

Group sales revenue increased by 58.6% during the year from \$5.3 million to \$8.4 million largely as a result of the revenue generated from the interactive advertising division. However, the costs of expanding 3Di, integrating PSA into the print division and the ongoing costs incurred in continuing to search for acquisitions have resulted in an increased loss of \$0.5 million, compared to a loss of \$0.4 million in FY2005.

Group Results

	2005/06 \$	2004/05 \$	Change %
Sales Revenue			
Printing	5,261,286	5,117,430	2.8
Interactive advertising	3,005,244	39,600	N/C
Total Sales Revenue	8,266,430	5,157,029	60.3
Revenue From Other Sources			
Printing	32,330	2,183	
Interactive advertising	5,882	41	
Corporate	19,577	7,340	
Total Revenue From Other Sources	57,789	9,564	504.2
Total Revenue	8,324,219	5,166,593	61.1
EBITDA	190,645	282,246	(32.5)
Less: Depreciation	(553,723)	(528,633)	
EBIT – Loss	(363,078)	(246,387)	47.4
Less: Interest	(152,699)	(138,059)	
Net Loss Before Tax	(515,777)	(384,446)	34.2
Income Tax Benefits (Expense)	656	-	
Net Loss After Tax	(515,121)	(384,446)	34.2

Acquisitions

There were no acquisitions during FY2006. However, in July 2006, QXQ announced its acquisition of List Marketing Australasia Pty Ltd ("LMA") a list broking company. Work is continuing on further acquisitions and further details will be provided as transactions become unconditional.

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Outlook

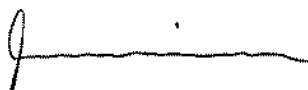
While trading conditions in the printing division remain challenging, a foundation has been laid for QXQ to focus on the burgeoning interactive advertising sector with the acquisitions of 3Di in FY2005 and LMA in FY2007. The Board intends to build on that foundation and deliver an improved performance in FY2007.

The Company remains focused on continuing the expansion into complementary businesses to deliver growth, to capitalize on the infrastructure in place and to gain critical mass. QXQ has the structure in place to extract value from its current divisions and to expand into complementary areas, as opportunities arise.

The Board has reason to be confident about the medium to long term outlook for QXQ.

Employees

On behalf of the Board, I would like to thank management and staff lead by the CEO, Andrew Koo, and the Managing Director of 3Di, Mark Halstead on successfully integrating 3Di and PSA into the Group and identifying the LMA acquisition announced in July 2006.



Paul G Choiselat
Managing Director

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Corporate Governance Statement

In March 2003, ASX published the ASXBPR to which listed companies are 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 recommendations have not been followed and give reasons for not following them. In this respect, the Directors have evaluated with due care the situation of QXQ and have strived to comply, to the best possible extent, with 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 QXQ 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 QXQ, 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 QXQ has not complied in this reporting period.

QXQ Board of Directors

To comply with the ASXBPR, QXQ 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 QXQ and its controlled entities. Management on the other hand is delegated with all the functions in relation to the day-to-day operations of QXQ 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 QXQ. The Board has the overall responsibility for the governance of QXQ, including

- Setting strategies, directions and establishing goals for the Group;
- The monitoring of performance against these goals and objectives;
- Oversight of QXQ 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 QXQ'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 QXQ 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

QXQ 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 six (6) Directors of which three (3) are independent Non-Executive Directors including the Chairman.

The composition of the Board is determined by QXQ 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 not less than half 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

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

The Board's composition of 6 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 QXQ have the opportunity to (and are encouraged to) visit the business offices of QXQ 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.

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.

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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 and fringe benefits policies.

Remuneration levels are competitively set to attract the most qualified and experienced Directors and key management personnel. The Committee is authorized to obtain 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) key management personnel and all Directors during the year ending 30 June 2006 are contained in Table A of the remuneration report included in the Directors Report. Termination entitlements for key management personnel, if any, are contained in Table A also.

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 the conduct of 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 QXQ's Board procedures are continually reviewed and the highest standards of performance are maintained.

The Committee comprises Kevin Campbell (Chair), Jeffrey Kennett, Andrew Koo and Paul Choiselat. The Committee did not meet during the year but corporate governance matters were discussed by the full Board at a number of meetings during FY2006. 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 QXQ'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 QXQ. The CEO and Chief Financial Officer annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

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

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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 QXQ. 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 QXQ.

QXQ 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 QXQ;
- to avoid situations which may give rise to a conflict of interest;
- to know and adhere to QXQ's policies;
- to maintain confidentiality in the affairs of QXQ 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.

Political contributions as a rule are not allowed by QXQ. Sponsorships undertaken by QXQ 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 QXQ securities

QXQ has a share trading policy in place, which regulates the trading of shares in QXQ by Directors and employees.

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 QXQ that would be likely to have a material effect on the price or value of QXQ'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 QXQ has given the information to the ASX and has received an acknowledgement that the ASX has released the information to the market.

Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting QXQ. 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;
- the Board ensures the annual report includes relevant information about the operations of QXQ 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 QXQ's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to QXQ; and

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- 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

QXQ acknowledges the obligation it has towards stakeholders such as shareholders, customers, employees, suppliers and the community it serves. To fulfill its obligations, QXQ 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

QXQ 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 QXQ's business and as a result, in the last year, QXQ had undertaken projects in an effort to reduce our environmental impact. Areas that have been concentrated on are the reduction of energy consumption; the use of environmentally friendly products in our production processes; the minimisation of waste; and increasing our recycling efforts.

Registry

Computershare Investor Services Pty Limited is QXQ'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, QXQ advises that it does not comply with the following ASXBPR. Reasons for QXQ's non-compliance are as detailed below.

<i>Recommendation 2.1</i>	The Board should comprise a majority of independent Directors	The Board currently comprises 3 independent Directors and 3 non-independent Directors. Having regard to the number of members currently comprising the Board and the size of the Company, the Board does not consider it necessary to appoint more Directors. In addition, not less than 50% of the Directors are independent. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to QXQ's circumstances
<i>Recommendation 2.4</i>	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 QXQ's circumstances
<i>Recommendation 4.3</i>	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 QXQ's circumstances

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Directors Report

Your Directors present their report on Q Ltd ("QXQ") 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
Andrew HS Koo	Chief Executive Officer and Executive Director
Mark Halstead	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 of the Company in office at the date of this report, and each Director's qualifications, experience and special responsibilities are below.

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

Board member and Chairman since January 2000, 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 Jumbuck Entertainment 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 Committee.

Mr Campbell holds an interest in 1,310,000 shares in Q Ltd as at the date of this report.

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

Board member since December 2003, 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 Jumbuck Entertainment Ltd and Barbu D'Anvers Propriety Limited. He is also Chairman of Beyondblue, the national depression initiative, Chairman of Enterprize Ship Trust, and President of the Hawthorn Football Club. Mr Kennett is Chairman of the Audit Committee and a member of the Corporate Governance Committee.

Mr Kennett holds an interest in 1,694,447 shares and options to acquire a further 222,222 shares in Q Ltd as at the date of this report.

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

Board member since November 2001, 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 Q Ltd over 22 years of sales, management and marketing experience in the IT & T sector. Mr Bennie is also a Director of Jumbuck Entertainment Ltd. He is also a member of the Remuneration Committee.

Mr Bennie holds no interest in shares in Q Ltd as at the date of this report.

Mark Halstead B.Sc MAICD Age: 39
Director (executive)

Board member since July 2005, Mr Halstead is the Managing Director of 3 Dimension Interactive Pty Ltd ("3Di"), a subsidiary of Q Ltd. Mr Halstead brings to the Board extensive experience in advertising sales in the internet and television industries in Australia, Asia and the United Kingdom. He is responsible for the day to day management of 3Di and represents 3Di at Australian Direct Marketing Association, Internet Advertising Bureau and Australian Interactive Media Industry.

Mr Halstead holds an interest in 13,456,700 shares in Q Ltd as at the date of this report.

Andrew HS Koo AM, B.Ec, FCPA Age: 63
Director (executive)

Board member and CEO since July 2004, Mr Koo was appointed General Manager – Qdi Direct Press in February 2002. He has extensive business experience in both the private and public sectors, including the printing and publishing industry. Mr Koo is a past Executive Chairman of Tasmania Development and Resources, past Chairman of the Tasmanian State Training Authority, past Chairman of Derwent Entertainment Centre, and a past member of the Commonwealth Paper, Pulp, Printing and Publishing Industry Council. Mr Koo has also previously acted as a consultant to a number of printing and publishing companies. He has been chairman of a number of business associations as well as advisory boards to all levels of Government in Australia. Presently, Mr Koo is Chairman of the Volunteer Task Force WA, Inc, a member of the Board of the Western Australia Academy of Performing Arts (WAAPA) and is a Director of a number of private companies. He is involved in the day to day management of Q Ltd with special responsibility for the print division businesses. He is a member of the Corporate Governance Committee.

Mr Koo holds an interest in 4,250,000 shares in Q Ltd 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 June 2001, Mr Choiselat was appointed Managing Director in October 2002. He has significant experience in the investment, finance, manufacture, healthcare and retail sectors. Mr Choiselat currently heads up Beaconwood Securities Pty Ltd, his privately owned investment banking business, which has an arrangement to supply certain facilities and services to Q Ltd. He has had extensive experience in funds management, underwriting and in venture capital. He is also the Managing Director of Jumbuck Entertainment Ltd and of the New Zealand listed Training Solutions Plus Ltd and Non-Executive Director of Destra Corporation Ltd. He is a Non-Executive Director of a number of Australian and international private and public investment and trading corporations and was previously a Non-Executive Director of Healthscope Ltd. Mr Choiselat is responsible for the general management of Q Ltd and is a member of the Audit, Corporate Governance and Remuneration Committees.

Mr Choiselat holds an interest in 21,057,883 shares in Q Ltd as at the date of this report.

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Secretary of the Company

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 Q Ltd in August 2005 and is responsible for the provision of legal advice on all aspects of Q Ltd 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 Jumbuck Entertainment Ltd and of the New Zealand listed Training Solutions Plus Ltd. Ms Herbst holds an interest in 900,000 shares in Q Ltd as at the date of this report.

Ms May A Chuah

CA, B.Comm

CFO

Chief Financial Officer(CFO) of Q 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 Jumbuck Entertainment Ltd and of Beaconwood Securities Pty Ltd. Ms Chuah held an interest in 900,000 shares in Q Ltd as at the date of this report.

Directors' and officers' indemnity

The Company has indemnified each Director of the Group, 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 printing and interactive media advertising.

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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 of this annual report.

Except for the matters disclosed, there are, at the date of this report, no other matters or circumstances which have arisen since 30 July 2006 that have significantly affected or may significantly affect:

- (a) the operations in future financial periods subsequent to the financial year ended 30 July 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 QXQ does not propose to pay a dividend for this reporting period.

Share Issues

In November and December 2005, following shareholder approval at the Annual General Meeting, the Group undertook both a non-renounceable rights issue of 9 shares for every 4 held and a placement to sophisticated and professional investors to issue 134,521,320 shares. The issues raised in excess of \$2.01 million before expenses. These funds were used to discharge the debts from the acquisitions of the PSA and 3Di and also towards working capital.

Subsequent Events

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 other than the announcement on 21 July 2006 of the acquisition of List Marketing Australasia Pty Ltd ("LMA") by QXQ.

LMA is a leading list broker, providing services in the form of sourcing both consumer and business mailing lists for a broad cross-section of advertising agencies and direct clients wishing to target specific customers or business groups with direct mail, fax, email or telemarketing communications. LMA's services are complementary to the existing 3Di business operated by QXQ.

QXQ entered into an agreement to acquire 100% of the share capital of LMA on 21 July 2006. Completion of the acquisition will occur in early September 2006, subject to completion of due diligence. Funding approval was given by shareholders in a General Meeting held on 23 August 2006.

LMA is expected to achieve over \$1.5 million in revenue for the 2006/07 financial year. This acquisition will be immediately EPS positive for QXQ.

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.

Environment

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 laws of the Commonwealth and State.

Meetings of Directors

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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	10	10	2	2	1	1	-	-
Mr B R Bennie	10	10	-	-	1	1	N/A*	N/A*
Mr P G Choiselat	10	10	2	2	1	1	-	-
Hon J G Kennett	10	10	2	2	-	-	-	-
Mr A H S Koo	10	9	-	-	-	-	N/A*	N/A*
Mr M Halstead	10	9	-	-	-	-	-	-

*The Committee did not meet during the year but corporate governance matters were discussed by the full Board at a number of meetings during FY2006.

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 executive in the issued ordinary shares of the Group as at the date of this report.

	Fully Paid Ordinary Shares	Options
Mr K V Campbell	1,310,000	-
Mr B R Bennie	-	-
Mr P G Choiselat	21,057,883	-
Hon J G Kennett	1,694,447	222,222
Mr A H S Koo	4,250,000	-
Mr M Halstead	13,456,700	-
Ms TD Herbst	900,000	-
Ms MA Chuah	900,000	-

Options

No options were granted over unissued shares by the Company during or since FY2006.

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

Grant Date	Date of Expiry	Exercise Price (Cents)	Number Under Option
24/05/04	18/12/06	67.5	222,222
TOTAL			222,222

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

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- 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
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Audit Services

The statement by the Consolidated Entity's external auditors to the members of Q Ltd 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 after this Directors' Report.

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.

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Remuneration Report

This Remuneration Report forms part of the Directors' Report and outlines the remuneration arrangements for executives and employees of Q 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.

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 approve:

- 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 once during the year. The number of meetings attended by each member during the year is set out above 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 on an as-needs basis 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.

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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 ASX BPR, 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 \$000	2002 \$000	2003 \$000	2004 \$000	2005 \$000	2006 \$000
Revenue	5,185	4,262	5,478	8,472	5,167	8,324
Net Profit/(Loss) after tax	(3,919)	(4,566)	(696)	(288)	(384)	(515)
Share Price at Year-end	0.11	0.035	0.074	0.055	0.026*	0.024
Dividends Paid	NIL	NIL	NIL	NIL	NIL	NL

* Based on post 9:2 consolidation and de-merger of Jumbuck Entertainment Ltd

In June 2004, Q Ltd undertook the significant step of de-merging its subsidiary Jumbuck Entertainment Ltd ("Jumbuck"). The de-merger freed up both companies to pursue their respective growth paths without being restricted by the competing priorities of operating two very diverse businesses within the Group. The de-merger was done by a distribution in-specie of 100% of the shares held by Q Ltd in Jumbuck to the then shareholders of Q Ltd. The financial benefits of that distribution in-specie to the then Q Ltd shareholders are not reflected in the above company performance table. Based on a closing share price of \$2.37 for Jumbuck (ASX: JMB), the market value of the 34,204,797 shares in Jumbuck which were distributed to Q Ltd shareholders, was in excess of \$81 million on 30 June 2006.

Key Management Personnel Remuneration

The Company aims to reward key management personnel with a level and mix of remuneration commensurate with their position and responsibilities within the Company and is moving so as to:

- Reward key management personnel 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 moving towards an annual review using a formal 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

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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 November 1999, Q Ltd established an employee option plan called the Q Ltd Incentive Option Scheme ("Scheme"). The Scheme is designed to provide a long-term incentive for employees and Directors of Q Ltd and to reward sustained superior performance to align all interests more closely with those of Q Ltd shareholders. It will allow them to participate in Q Ltd'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 Q Ltd are eligible to participate in the Scheme.

At a meeting of the Remuneration Committee held on 7th February 2002, the Committee 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 Q Ltd 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, no Options were issued under the Q Ltd Incentive Option Scheme. Refer to Note 25 for further details.

Key Management Personnel Remuneration

The following table summarises the remuneration arrangements for key management personnel. Details of remuneration of key management personnel are shown on the following pages.

	Mr PG Choiselat	Mr AHS Koo	Mr M Halstead
Position	Managing Director Commenced October 2002	CEO Commenced February 2002	Managing Director, 3Di Commenced June 2005
Term of employment agreement	No contract in place	Employment contract has expired and the Company intends to negotiate to enter into a new contract shortly	3 years from 24 June 2005. May be extended by mutual agreement
Notice period	No contract in place	3 months	Fixed term to 23 June 2008
Total employment cost (TEC)*	\$56,680	\$174,400	\$152,900
Short term incentive	Given the performance of the Company, no variable remuneration was paid during the year. As such, no incentive payments were paid during the year.	Given the performance of the Company, no variable remuneration was paid during the year. As such, no incentive payments were paid during the year.	Variable remuneration is payable to the Executive provided certain EBIT performance hurdles are met. To 30 June 2006, as EBIT for 3Di exceeded the required hurdle, Mr Halstead received an STI as detailed in Table A.
Long term incentive	Nil	Nil	Nil
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 <i>Corporations Act 2001 (Cth)</i>	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 <i>Corporations Act 2001 (Cth)</i>	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 <i>Corporations Act 2001 (Cth)</i>
Termination of executive by	No contract in place	At any time by giving 3 months notice	By written notice to 3Di if 3Di is in material breach of any of its obligations or warranties under this

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			Contract and has failed to rectify that breach within the time frame as stated in the Contract. Where termination with cause occurs Mr Halstead is entitled to that portion of the remuneration which is fixed for the remaining portion of the term of the Contract.
Termination Company	by	No contract in place	At any time by giving 3 months notice
			At any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Halstead is only entitled to that portion of the remuneration which is fixed, and only up to the date of termination.

* 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

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

Details of remuneration

The following table shows details of the nature and amount of each element of the remuneration paid or payable with respect to services provided for the period as Directors of the Company and key management personnel of the Group during FY2006. All Directors and key management personnel are paid in Australian dollars.

No performance options or performance rights have been granted to Directors or key management personnel during FY2006. No retirement benefits were paid or payable to Directors or key management personnel in FY2006.

The following includes all key management personnel.

Table A

2006	Short-term Employee Benefits			Post-employment Benefits	Other Long Term Employee Benefits	Termination Benefits	Share-based Payment			Total
	Salary & Fees	Bonu s	Other	Super-annuation			Equity-settled			
							Shares & Units	Options & Rights	Cash Settled	
K V Campbell	20,000			1,800						21,800
B R Bennie	10,000			900						10,900
Hon. J G Kennett	10,000			900						10,900
P G Choisefat	56,680			0						56,680
M Halstead	110,000	33,000		9,900						152,900
AHS Koo	160,000			14,400						174,400
M A Chuah	109,034			0						109,034
T D Herbst	95,765	0		0						95,765
Total	571,479	33,000	0	27,900	0	0	0	0	0	632,379

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Table B

2005	Short-term Employee Benefits			Post-employment Benefits	Other Long Term Employee Benefits	Termination Benefits	Share-based Payment			Total
	Salary & Fees	Bonus	Other	Super-annuation			Equity-settled			
							Shares & Units	Options & Rights	Cash Settled	
K V Campbell	20,000			1,800						21,800
B R Bennie	10,000			900						10,900
Hon. J G Kennett	10,000			900						10,900
P G Choiselet	56,680			0						56,680
AHS Koo	160,000			29,400						189,400
DJ Berinson	29,200			0						29,200
MW Camfield	123,750			9,075						132,825
C Chan	8,242			0						8,242
M Chuah	59,541			0						59,541
G Darling	37,060			0						37,060
Total	514,473	0	0	42,075	0	0	0	0	0	556,548

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

Non-Executive Director remuneration

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

Name	Position
Kevin V Campbell	Chairman
Bruce R Bennie	Non-Executive Director
Hon Jeffrey G Kennett	Non-Executive Director

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 major 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. Additional fees are paid, where applicable, for participation in Board committees and for serving on the boards of controlled entities.

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. The current shareholder approved maximum fee pool is \$250,000 per annum.

There are no retirement allowance benefits (other than superannuation contributions) 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.

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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.

Options

	Table C						
	Balance 01.07.05	Granted as Remuneration	Options Exercised	Options Expired	Balance 30.06.06	Total Vested 30.06.06	Total exercisable
Directors – non executive							
Mr B R Bennie	188,889	-	-	188,889	-	-	-
Hon J G Kennett	222,222	-	-	-	222,222	222,222	222,222
Total	411,111	-	-	188,889	222,222	222,222	222,222

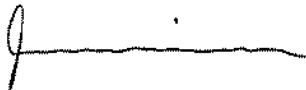
Valuation method of options

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.

No options were granted in FY2006.

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
Q Ltd
5th Floor, Bank House
11 Bank Place
MELBOURNE VIC 3000

29 August 2006

Dear Board Members

Q Ltd

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

As lead audit partner for the audit of the financial statements of Q Ltd 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

Q Ltd and Its Controlled Entities

ABN 13 083 160 909

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
Revenue	3	8,324,219	5,166,593	4,522,564	5,120,445
Agency commission		(312,755)	(3,635)	-	-
Consultants		(81,624)	(105,761)	-	-
Depreciation and amortisation expense	4	(553,723)	(528,633)	(446,351)	(528,273)
Employee benefits expense		(2,668,665)	(1,860,286)	(1,555,461)	(1,853,331)
Equipment rental		(89,839)	(165)	-	-
Finance costs	4	(152,699)	(138,059)	(136,489)	(137,676)
Freight		(141,118)	(132,130)	(136,593)	(132,114)
Insurance		(103,842)	(86,752)	(96,186)	(86,731)
Media bookings		(1,622,536)	(24,946)	-	-
Occupancy		(234,367)	(131,338)	(109,772)	(130,346)
Other expenses		(549,446)	(202,522)	(445,506)	(304,567)
Raw materials and consumables used		(1,391,705)	(1,502,001)	(1,276,482)	(1,501,470)
Repairs and maintenance		(151,037)	(175,835)	(136,593)	(175,804)
Restructure costs		-	(15,075)	-	(15,075)
Subcontractors		(681,753)	(628,387)	(588,889)	(628,387)
Technology service		(41,919)	(1,662)	-	-
Travel and accommodation		(62,968)	(13,852)	(19,258)	(13,330)
<hr/>					
Loss before income tax expense		(515,777)	(384,446)	(425,016)	(386,659)
Income tax benefit	5	656	-	-	-
<hr/>					
Loss from continuing operations		(515,121)	(384,446)	(425,016)	(386,659)
<hr/>					
Loss for the year		(515,121)	(384,446)	(425,016)	(386,659)
<hr/>					
Net Loss attributable to members of the parent entity		(515,121)	(384,446)	(425,016)	(386,659)
<hr/>					
Basic earnings per share (cents per share)	8	(0.4)	(1.0)		
Diluted earnings per share (cents per share)	8	(0.4)	(1.0)		

Q Ltd and Its Controlled Entities
ABN 13 083 160 909

BALANCE SHEET AS AT 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
CURRENT ASSETS					
Cash and cash equivalents	9	313,584	172,627	35,692	48,262
Trade and other receivables	10	1,686,600	1,691,656	1,627,782	1,637,958
Inventories	11	161,463	221,211	128,389	174,735
Other	12	77,735	40,958	74,325	37,838
TOTAL CURRENT ASSETS		2,239,382	2,126,452	1,866,188	1,898,793
NON-CURRENT ASSETS					
Other financial assets	13	-	-	637,173	586,644
Property, plant and equipment	15	1,329,772	1,783,486	961,514	1,378,930
Intangible assets	16	807,657	757,128	-	-
Deferred tax assets	18	656	-	-	-
TOTAL NON-CURRENT ASSETS		2,138,085	2,540,614	1,598,687	1,965,574
TOTAL ASSETS		4,377,467	4,667,066	3,464,875	3,864,367
CURRENT LIABILITIES					
Trade and other payables	17	1,628,312	1,940,281	820,372	1,479,670
Current tax liabilities	18	-	28,938	-	-
Borrowings	19	513,300	1,179,399	407,839	1,072,880
Provisions	20	233,177	142,433	197,438	111,353
TOTAL CURRENT LIABILITIES		2,374,789	3,291,051	1,425,649	2,663,903
NON-CURRENT LIABILITIES					
Borrowings	19	600,719	1,113,582	549,375	957,214
Provisions	20	24,610	109,199	24,610	92,229
TOTAL NON-CURRENT LIABILITIES		625,329	1,222,781	573,985	1,049,443
TOTAL LIABILITIES		3,000,118	4,513,832	1,999,634	3,713,346
NET ASSETS		1,377,349	153,234	1,465,241	151,021
EQUITY					
Contributed equity	21	15,361,855	13,622,619	15,361,855	13,622,619
Accumulated losses		(13,984,506)	(13,469,385)	(13,896,614)	(13,471,598)
TOTAL EQUITY		1,377,349	153,234	1,465,241	151,021

The accompanying notes form part of these financial statements.

Q Ltd and Its Controlled Entities
ABN 13 083 160 909

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2006

Economic Entity

	Note	Share Capital Ordinary \$	Accumulated Losses \$	Total \$
Balance at 1 July 2004		13,388,718	(13,084,939)	303,779
14,935,295 shares issued during the year	21	252,475	-	252,475
Transaction costs relating to share issue	21	(18,574)	-	(18,574)
Loss attributable to members of parent entity		-	(384,446)	(384,446)
Balance at 30 June 2005		13,622,619	(13,469,385)	153,234
134,521,320 shares issued during the year	21	2,017,820	-	2,017,820
Transaction costs relating to share issue	21	(278,584)	-	(278,584)
Loss attributable to members of parent entity		-	(515,121)	(515,121)
Balance at 30 June 2006		15,361,855	(13,984,506)	1,377,349

Parent Entity

	Note	Share Capital Ordinary \$	Accumulated Losses \$	Total \$
Balance at 1 July 2004		13,388,718	(13,084,939)	303,779
14,935,295 shares issued during the year	21	252,475	-	252,475
Transaction costs relating to share issue	21	(18,574)	-	(18,574)
Loss attributable to members of parent entity		-	(386,659)	(386,659)
Balance at 30 June 2005		13,622,619	(13,471,598)	151,021
134,521,320 shares issued during the year	21	2,017,820	-	2,017,820
Transaction costs relating to share issue	21	(278,584)	-	(278,584)
Loss attributable to members of parent entity		-	(425,016)	(425,016)
Balance at 30 June 2006		15,361,855	(13,896,614)	1,465,241

Q Ltd and Its Controlled Entities

ABN 13 083 160 909

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		8,451,674	5,086,564	4,632,263	5,081,373
Payments to suppliers and employees		(8,446,612)	(5,224,449)	(4,965,376)	(5,152,869)
Interest received		27,074	7,389	19,577	7,340
Interest and other costs of finance paid		(152,699)	(137,676)	(136,489)	(137,676)
Net cash (used in) operating activities	24a	<u>(120,563)</u>	<u>(268,172)</u>	<u>(450,025)</u>	<u>(201,832)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(92,636)	(18,678)	(22,745)	(18,678)
Payment for subsidiary net of cash acquired	24d	(206,117)	(83,359)	(206,117)	(275,000)
Net cash (used in) investing activities		<u>(298,753)</u>	<u>(102,037)</u>	<u>(228,862)</u>	<u>(293,678)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	21	2,017,820	161,922	2,017,820	161,922
Share issue costs	21	(278,584)	(18,574)	(278,584)	(18,574)
Proceeds from borrowings		-	700,000	-	700,000
Repayment of borrowings		(1,178,963)	(796,931)	(1,072,880)	(345,995)
Loan to subsidiary		-	-	(39)	(450,000)
Advances from/to controlled entity		-	168,466	-	168,466
Net cash provided by financing activities		<u>560,273</u>	<u>214,883</u>	<u>666,317</u>	<u>215,819</u>
Net increase/(decrease) in cash held		140,957	(155,326)	(12,570)	(279,691)
Cash and cash equivalents at beginning of financial year		<u>172,627</u>	<u>327,953</u>	<u>48,262</u>	<u>327,953</u>
Cash and cash equivalents at end of financial year	9	<u>313,584</u>	<u>172,627</u>	<u>35,692</u>	<u>48,262</u>

The accompanying notes form part of these financial statements.

Q Ltd and Its Controlled Entities

ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

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 Q Ltd and controlled entities. Q Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report of Q Ltd and controlled entities, and Q Ltd as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRSs) in their entirety except that the parent entity financial statements and notes 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 consolidated entity.

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

Basis of Preparation

Q Ltd and controlled entities, and Q Ltd as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRSs) 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 Q 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 AIFRSs 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.

Q Ltd and Its Controlled Entities

ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Basis of Preparation (Cont.)

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.

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 AIFRS 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 AIFRS 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. Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The financial report, includes an operating loss after tax of \$515,121 for the consolidated entity and \$425,016 for the parent entity for the 30th June 2006 financial year, a net working capital deficiency of \$135,407 for the consolidated entity and a surplus of \$440,539 for the parent entity, a net asset position of \$1,377,349 for the consolidated entity and \$1,465,241 for the parent entity and a net tangible assets of \$569,692 for the consolidated entity and net tangible assets of \$1,465,241 for the parent .

There are significant uncertainties that the Directors have had to consider in deciding to prepare the financial report on this basis and these are set out below.

The ability of the economic entity to meet its commitments and ongoing operating expenses will depend upon the ability to generate sufficient funds from the ongoing business operations of the entities within the economic entity and the continued availability of financing facilities of \$500,000 as detailed in note 24.

Management have recently prepared forecasts, which show the economic entity's working capital requirements for the 12 months from the date of their approval of this financial report. They have applied a number of sensitivities to these forecasts including variability factors relating to sales forecasts. This process has included assessing the implications of likely business developments, including the proposed purchase of List Marketing Australasia Pty Ltd as disclosed in Note 26. These have been reviewed and approved by the Directors.

Q Ltd and Its Controlled Entities

ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

a. **Going Concern (Cont.)**

In addition, whilst there can be no certainty that the Economic Entity will achieve its forecasts, the Directors consider that the Economic Entity will be able to operate within its banking facilities as disclosed in note 24 and will continue to have the support of its bankers for the foreseeable future. Accordingly, the Directors believe that the business is able to meet its liabilities as they fall due and therefore consider that it is appropriate to prepare the financial report on a going concern basis.

If the economic entity's bankers were to withdraw their support, the going concern basis may no longer be appropriate. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the economic entity not continue as a going concern.

b. **Principles of Consolidation**

A controlled entity is any entity controlled by Q Ltd. Control exists where Q Ltd has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Q Ltd to achieve the objectives of Q Ltd. A list of controlled entities is contained in Note 14 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

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

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

c. **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 realised 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 utilised.

The amount of benefits brought to account or which may be realised 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 realised and comply with the conditions of deductibility imposed by the law.

Q Ltd and its wholly-owned Australian subsidiaries have not formed an income tax consolidated group under the Tax Consolidation System at 30 June 2006.

Q Ltd and Its Controlled Entities

ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity.

e. **Borrowings**

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in income over the period of the borrowing using the effective interest rate method.

f. **Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value 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 capitalised lease assets, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held available 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	4-8 years
Furniture and fittings	8 years
Leased plant and equipment	3-8 years

g. **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 entities in the economic entity are classified as finance leases. Finance leases are capitalised, 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 economic entity 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.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives under operating leases are recognised as a liability.

h. **Investments**

Investments in controlled entities are measured on the cost basis in the parent entity's separate financial statements. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments. The expected net cash flows from investments have been discounted to their present value in determining the recoverable amounts.

Q Ltd and Its Controlled Entities

ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. **Financial Assets**

Investments are recognised and derecognised on trade date where 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 specified categories: financial assets 'at fair value through income', '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.

At the balance date the following category of financial asset was held:

Loans and receivables

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

j. **Intangibles**

Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and is not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in income and is not subsequently reversed.

k. **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 income 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.

Q Ltd and Its Controlled Entities

ABN 13 083 160 909

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the date of the transactions. Amounts receivable and payable in foreign currencies at balance sheet date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in income as they arise.

m. 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 economic entity 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 25 to the financial statements. Other than minimal administration costs, which are expensed when incurred, the plan does not result in any cash outflows to the economic entity. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

n. 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.

o. Revenue

Interest revenue is recognised on a time proportionate basis taking into account the effective yield on the financial assets.

Revenue from the rendering of a service or sale of goods is recognised upon the delivery of the service or goods to the customers. All revenue is stated net of the amount of goods and services tax (GST).

p. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised 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 statement of financial position are shown inclusive of GST.

q. Comparative Figures

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

Q Ltd and Its Controlled Entities

ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

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.

Goodwill

Amortisation was not charged against the goodwill created on the acquisition of Project Services Australia Pty Ltd and 3 Dimension Interactive Pty Ltd in the prior year as the transactions occurred on 24 June 2005 and 30 June 2005 respectively. As no amortisation was charged under AGAAP in the previous year no adjustment is made on the adoption of AIFRSs.

Options

Options issued to Key Management Personnel in prior years were ascribed a fair value of \$17,500 on issue. Under AIFRSs this amount should be brought to account and would be treated as an adjustment against opening reserves. However, given the immaterial value ascribed to the options at the date they were granted and the probability that these options will not be exercised when they expire on 18 December 2006 the amounts have not been brought to account.

Q Ltd and Its Controlled Entities
ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 3: REVENUE	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Operating activities					
— rendering of services		8,363,603	5,272,016	4,307,115	5,225,917
— Discount given		(97,173)	(114,987)	(97,173)	(114,987)
Net revenue from services		<u>8,266,430</u>	<u>5,157,029</u>	<u>4,209,942</u>	<u>5,110,930</u>
— interest received	3a	27,075	7,389	19,577	7,340
— other revenue		24,214	2,175	2,940	2,175
— Management fee		-	-	283,605	-
		<u>8,317,719</u>	<u>5,166,593</u>	<u>4,516,064</u>	<u>5,120,445</u>
— profit on disposal of plant and equipment		6,500	-	6,500	-
Total Revenue		<u>8,324,219</u>	<u>5,166,593</u>	<u>4,522,564</u>	<u>5,120,445</u>
a. Interest revenue from:					
— other persons		27,075	7,389	19,577	7,340
Total interest revenue		<u>27,075</u>	<u>7,389</u>	<u>19,577</u>	<u>7,340</u>
NOTE 4: LOSS FROM ORDINARY ACTIVITIES					
Loss from ordinary activities before income tax has been determined after:					
GENERAL EXPENSES					
Finance costs:					
— Other entities		31,735	808	31,735	808
— Finance lease finance charges		120,964	137,251	104,754	136,868
Total borrowing costs		<u>152,699</u>	<u>138,059</u>	<u>136,489</u>	<u>137,676</u>
Depreciation of non-current assets:					
— Plant and equipment		106,850	132,739	64,296	132,597
— Leased plant and equipment		395,325	358,885	345,105	358,723
— Furniture and fittings		30,683	30,027	30,016	30,016
— Leasehold improvements		7,940	6,939	6,934	6,937
— Motor Vehicle		12,925	43	-	-
Total depreciation		<u>553,723</u>	<u>528,633</u>	<u>446,351</u>	<u>528,273</u>
Bad and doubtful debts:					
— trade debtors		14,136	30,000	14,159	30,000
Rental expense on operating leases					
— minimum lease payments		85,691	62,211	61,524	61,524

Q Ltd and Its Controlled Entities
ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Economic Entity		Parent Entity	
NOTE 5: INCOME TAX EXPENSE	2006 \$	2005 \$	2006 \$	2005 \$
a. The components of tax benefit comprise:				
Current tax	-	-	-	-
Deferred tax	656	-	-	-
	656	-	-	-
b. The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows:				
Loss before income tax	(515,777)	(384,446)	(425,016)	(386,659)
Prima facie tax benefit on loss from ordinary activities before income tax at 30 %	(154,733)	(115,333)	(127,505)	(115,998)
Tax effect of:				
Add				
— Temporary differences – accruals	45,748	-	45,748	-
— other non-allowable legal fees	1,032	461	1,032	461
— Temporary differences – depreciation	60,759	-	56,425	-
— Temporary differences - other	-	8,088	-	8,088
— tax losses not brought to account as future income tax benefits	94,337	106,784	65,481	107,449
Less				
— Temporary differences - business development	(29,934)	-	(31,734)	-
— Temporary differences - other	(17,865)	-	(9,447)	-
Income tax benefit attributable to entity	(656)	-	-	-

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.

Q Ltd and Its Controlled Entities

ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

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

Parent Entity Directors

Directors

<i>Mr B R Bennie</i>	Director — Non-Executive
<i>Mr K V Campbell</i>	Chairman — Non-Executive
<i>Mr P G Choiselat</i>	Managing Director— Executive
<i>Mr M Halstead</i>	Director ___ Executive
<i>Hon J G Kennett</i>	Director — Non-Executive
<i>Mr A H S Koo</i>	Chief Executive Officer

Key Management Personnel

<i>Ms M A Chuah</i>	Chief Financial Officer
<i>Ms T D Herbst</i>	Company Secretary

b. Compensation Practices

Refer Remuneration Report segment of the Directors' Report.

c. Key Management Personnel Compensation

As allowed under Corporations Regulations 2001, the Company has chosen to disclose key management personnel remuneration in the Remuneration Report section of the Directors' Report. Refer Table A and Table B in the Remuneration Report segment of the Directors' Report.

d. Compensation Options

There were no options granted as compensation in the year (2005 NIL).

e. Shares issued on Exercise of Compensation Options.

There were no shares issued under this category (2005 NIL).

f. Options and Rights Holdings

Please refer to Table C in the Directors' Report for holdings and existing options.

Q Ltd and Its Controlled Entities

ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

g. Shareholdings

Number of Shares held by Parent Entity Directors and key management personnel

	Balance 01.07.05	Received as Remun- eration	Options Exercised	Purchases and Sales	Balance 30.06.06
Parent Entity Directors					
<i>Mr B R Bennie</i>	-	-	-	-	-
<i>Mr K V Campbell</i>	85,556	-	-	1,224,444	1,310,000
<i>Mr P G Choiselat</i>	6,460,375	-	-	14,597,508	21,057,883
<i>Hon J G Kennett</i>	111,112	-	-	1,583,335	1,694,447
<i>Mr A H S Koo</i>	1,000,000	-	-	3,250,000	4,250,000
<i>Mr M Halstead</i>	-	-	-	13,456,700*	13,456,700
Sub-total	7,657,043	-	-	34,111,987	41,769,030
Key Management Personnel					
<i>Ms C Chan (resigned 25th August 2005)</i>	146,668	-	-	671,670	818,338
<i>Ms M A Chuah</i>	-	-	-	900,000	900,000
<i>Ms T D Herbst</i>	-	-	-	900,000	900,000
Sub-total	146,668	-	-	2,471,670	2,618,338
Total	7,803,711	-	-	36,583,657	44,387,368

* 4,140,523 shares were issued on 4th July as part of the consideration for the acquisition of 3 Dimension Interactive Pty Ltd (Refer note 24d).

The Directors of Q Ltd purchased 34,161,987 shares during the rights issue in November 2005.

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

	2006 \$	2005 \$
Short-term employee benefits	632,379	556,548
Share based payment	-	-
Post-employment benefits	-	-
Other long term employee benefits	-	-
Termination benefits	-	-
Total Compensation	632,379	556,548

Q Ltd and Its Controlled Entities
ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	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	48,400	40,593	25,300	25,000
— other services	250	385	250	385
	48,650	40,978	25,550	25,385

NOTE 8: EARNINGS PER SHARE

a. Reconciliation of earnings to net profit				
Net Loss	(515,121)	(384,446)	-	-
Net Loss attributable to outside equity interest	-	-	-	-
Net loss used in the calculation of basic EPS	(515,121)	(384,446)	-	-
Net loss used in the calculation of dilutive EPS	(515,121)	(384,446)	-	-
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	126,747,964	39,676,295	-	-
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	126,747,964	39,676,295	-	-

There are no reconciling items between the number of ordinary shares used in the calculation of basic and dilutive EPS. The 222,222 options outstanding are out of the money and are not considered to be dilutive.

NOTE 9: CASH AND CASH EQUIVALENTS

Cash at bank	313,314	172,627	35,422	48,262
Cash on hand	270	-	270	-
	313,584	172,627	35,692	48,262

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	313,584	172,627	35,692	48,262
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Q Ltd and Its Controlled Entities
ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Economic Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 10: TRADE AND OTHER RECEIVABLES				
CURRENT				
Trade debtors	1,739,896	1,771,172	802,063	1,124,945
Allowance for impairment of receivables	(74,069)	(113,109)	(61,612)	(90,000)
	1,665,827	1,658,063	740,451	1,034,945
Other debtors	20,773	33,593	3,687	
Loan – Project Services Australia Pty Ltd	-	-	605,581	
Loan – 3 Dimension Interactive Pty Ltd	-	-	278,063	
	20,773	33,593	887,331	603,013
	1,686,600	1,691,656	1,627,782	1,637,958

NOTE 11: INVENTORIES

CURRENT

At cost

Raw materials and stores	154,169	214,156	121,095	167,680
Work in progress	7,294	7,055	7,294	7,055
	161,463	221,211	128,389	174,735

NOTE 12: OTHER ASSETS

CURRENT

Prepayments	77,735	40,958	74,325	37,838
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Q Ltd and Its Controlled Entities
ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Economic Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 13: OTHER FINANCIAL ASSETS				
NON-CURRENT				
Unlisted investments, at cost				
— shares in controlled entities	-	-	637,173	586,644
	-	-	637,173	586,644

NOTE 14: CONTROLLED ENTITIES

a. **Controlled Entities**

	Country of Incorporation	Percentage Owned	
		2006	2005
Parent Entity:			
Q Ltd	Australia	-	-
Subsidiaries of Q Ltd:			
3 Dimension Interactive Pty Ltd	Australia	100	100
Project Services Australia Pty Ltd	Australia	100	100

b. **Controlled Entities Purchased**

The provisional cost of the goodwill created on the purchase of Project Services Australia Pty Ltd and 3 Dimension Interactive Pty Ltd in the prior year was amended to include an additional \$50,529 of transaction costs that were not accrued at 30 June 2005 and the additional costs resulting from deferred earnout payments that are tied to the performance of 3 Dimension Interactive Pty Ltd until 30 April 2008.

This has no effect on the reported result in the prior year.

There were no new controlled entities purchased this financial year.

Q Ltd and Its Controlled Entities
ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Economic Entity		Parent Entity	
NOTE 15: PLANT AND EQUIPMENT	2006 \$	2005 \$	2006 \$	2005 \$
PLANT AND EQUIPMENT				
Plant and equipment				
At cost	1,572,305	1,589,028	1,140,684	1,171,135
Accumulated depreciation	(1,382,611)	(1,337,328)	(1,053,411)	(1,048,501)
	<u>189,694</u>	<u>251,700</u>	<u>87,273</u>	<u>122,634</u>
Furniture and Fittings				
At cost	238,776	236,753	230,896	230,896
Accumulated depreciation	(212,384)	(181,701)	(210,102)	(180,086)
	<u>26,392</u>	<u>55,052</u>	<u>20,794</u>	<u>50,810</u>
Leasehold improvements				
At cost	119,560	66,418	53,337	53,337
Accumulated amortisation	(51,536)	(43,596)	(47,513)	(40,579)
Total Leasehold Improvements	<u>68,024</u>	<u>22,822</u>	<u>5,824</u>	<u>12,758</u>
Leased plant and equipment				
Capitalised leased assets	2,887,601	2,887,601	2,496,807	2,496,807
Accumulated depreciation	(1,886,463)	(1,491,138)	(1,649,184)	(1,304,079)
	<u>1,001,138</u>	<u>1,396,463</u>	<u>847,623</u>	<u>1,192,728</u>
Leased Motor Vehicle				
Capitalised leased assets	66,606	66,606	-	-
Accumulated depreciation	(22,082)	(9,157)	-	-
	<u>44,524</u>	<u>57,449</u>	<u>-</u>	<u>-</u>
Total Plant and Equipment	<u>1,329,772</u>	<u>1,783,486</u>	<u>961,514</u>	<u>1,378,930</u>

Q Ltd and Its Controlled Entities

ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 15: 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

	Leasehold improvement	Plant and Equipment	Furniture and Fittings	Leased Plant and Equipment	Motor Vehicle	Total
	\$	\$	\$	\$	\$	\$
Economic Entity:						
Balance at the beginning of year	22,822	251,700	55,052	1,396,463	57,449	1,783,486
Additions	53,142	44,844	2,023	-	-	100,009
Disposal	-	-	-	-	-	-
Depreciation expense	(7,940)	(106,850)	(30,683)	(395,325)	(12,925)	(553,723)
Carrying amount at the end of year	<u>68,024</u>	<u>189,694</u>	<u>26,392</u>	<u>1,001,138</u>	<u>44,524</u>	<u>1,329,772</u>
Parent Entity:						
Balance at the beginning of year	12,758	122,634	50,810	1,192,728	-	1,378,930
Additions	-	28,935	-	-	-	28,935
Disposal	-	-	-	-	-	-
Depreciation expense	(6,934)	(64,296)	(30,016)	(345,105)	-	(446,351)
Carrying amount at the end of year	<u>5,824</u>	<u>87,273</u>	<u>20,794</u>	<u>847,623</u>	<u>-</u>	<u>961,514</u>

Note	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$

NOTE 16: INTANGIBLE ASSETS

Goodwill

Opening Cost		757,128	-	-	-
Addition	16a	50,529	757,128	-	-
Subtotal		<u>807,657</u>	<u>757,128</u>	-	-
Accumulated impaired losses	16b	-	-	-	-
Net carrying value		<u>807,657</u>	<u>757,128</u>	-	-

a. The addition to goodwill comprises of a deferred earn out payment calculated on the performance of 3 Dimension Interactive Pty Ltd and cost incurred post 30 June 2005 for the finalizing of the purchase of 3 Dimension Interactive Pty Ltd and Project Services Australia Pty Ltd. The purchase agreement for 3 Dimension Interactive Pty Ltd provides for deferred earnout payments tied to its performance until 30 April 2008 based on EBIT.

The discounted cash flow method of measurement was used to estimate the recoverable amount of the print division and the recoverable amount of the goodwill on acquisition of 3 Dimension Interactive Pty Ltd which were determined to be two separate cash generating units. The recoverable amount using the stated method of calculation for each of the divisions were larger than the carrying value of each of the divisions and accordingly there was no impairment.

Q Ltd and Its Controlled Entities

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Notes	Economic Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 17: PAYABLES				
CURRENT				
Unsecured liabilities				
Trade payables	837,503	1,023,444	528,144	774,627
Sundry payables and accrued expenses	686,928	806,546	249,260	647,677
GST Payable	96,428	98,609	35,515	45,684
Billings in advance	7,453	11,682	7,453	11,682
	<u>1,628,312</u>	<u>1,940,281</u>	<u>820,372</u>	<u>1,479,670</u>

NOTE 18: TAX

a. Liabilities

CURRENT

Income Tax	-	28,938	-	-
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b. Deferred tax balances

Deferred tax liability comprises:

Temporary differences	656	-	-	-
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Taxable and deductible temporary differences arise from the following:

Gross deferred tax liabilities

Opening balance	-	-	-	-
Business development	1,800	-	-	-
Depreciation – accounting	6,047	-	-	-
Other	400	-	-	-
Closing balance	<u>8,247</u>	-	-	-

Gross deferred tax assets

Opening balance	-	-	-	-
Depreciation – tax	6,229	-	-	-
Other	2,674	-	-	-
Closing balance	<u>8,903</u>	-	-	-

Unrecognised deferred tax balances

The following deferred tax assets have not been brought to account as assets:

Tax losses - revenue	3,125,711	3,062,345	3,054,509	3,004,158
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"Tax losses" - revenue are available to carry forward against future "taxable profits – revenue" (but not against capital related profits) without expiry.

Q Ltd and Its Controlled Entities
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

		Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
	Note				
NOTE 19: INTEREST BEARING LIABILITIES					
CURRENT (secured)					
Commercial Bills	19a	-	700,000	-	700,000
Finance lease liabilities	22	513,300	479,399	407,839	372,880
		<u>513,300</u>	<u>1,179,399</u>	<u>407,839</u>	<u>1,072,880</u>
NON-CURRENT (secured)					
Finance lease liabilities	22	600,719	1,113,582	549,375	957,214
		<u>600,719</u>	<u>1,113,582</u>	<u>549,375</u>	<u>957,214</u>
		<u>1,114,019</u>	<u>2,292,981</u>	<u>957,214</u>	<u>2,030,094</u>

a. Commercial Bills

The commercial bills payable by the parent entity are secured by a registered first mortgage over all of the assets and undertakings of the parent entity.

NOTE 20: PROVISIONS

CURRENT

Employee entitlements	20a	233,177	142,433	197,438	111,353
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NON-CURRENT

Employee entitlements	20a	24,610	109,199	24,610	92,229
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a. Aggregate employee benefits liability

257,787	251,632	222,048	203,582
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b. Number of employees at year-end

40	35	23	23
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Q Ltd and Its Controlled Entities
ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
NOTE 21: ISSUED CAPITAL					
183,661,412 (2005: 49,140,092)					
Fully paid ordinary shares	21a	15,361,855	13,622,619	15,361,855	13,622,619
		<u>15,361,855</u>	<u>13,622,619</u>	<u>15,361,855</u>	<u>13,622,619</u>

a. Ordinary shares

At the beginning of the reporting period		13,622,619	13,388,718
Shares issued during the year			
— 10,794,772 at 1.5 cents per share on 31/12/04			161,922
— 4,140,523 at 2.187 cents per share on 24/06/05			90,553
— 110,565,484 at 1.5 cents per share on 30/11/05		1,658,482	
— 23,955,836 at 1.5 cents per share on 07/12/05		359,338	
— Share issue cost		(278,584)	(18,574)
At end of year		<u>15,361,855</u>	<u>13,622,619</u>

	No.	No.
No of shares at the beginning of reporting period	49,140,092	34,204,797
Shares issued during year		
— 31 December 2004		10,794,772
— 24 June 2005*		4,140,523
— 30 November 2005 **	110,565,484	
— 07 December 2005	23,955,836	
	<u>183,661,412</u>	<u>49,140,092</u>
At end of year	<u>183,661,412</u>	<u>49,140,092</u>

* 4,140,523 shares were issued on 24 June 2005 as part of the consideration for the acquisition of 3 Dimension Interactive Pty Ltd (Refer note 24d).

** The Directors of Q Ltd purchased 34,161,987 shares during the rights issue in November 2005.

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

Q Ltd and Its Controlled Entities

ABN 13 083 160 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 21: ISSUED CAPITAL (Cont.)

b. Options

- i. For information relating to the Q 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. 2,100,000 Options to purchase ordinary shares at an exercise price of \$0.675 each lapsed.
- iv. There were no new Options issued throughout the year.
- iv. At 30th June 2006, there were 222,222 (30th June 2005: 2,322,222) unissued ordinary shares for which options were outstanding.

	Grant Date	Expiry Date	Exercise Price (cents)	Balance 01.07.05 No.	Options Granted No.	Options Exercised No.	Options Expired No.	Total Balance 30.06.06 No.
Directors								
Mr B R Bennie	28/11/02	27/11/05	67.5	188,889	-	-	(188,889)	-
Hon J G Kennett								
	24/05/04	18/12/06	67.5	222,222	-	-	-	222,222
				411,111	-	-	(188,889)	222,222
Employees, former employees, consultants and former directors								
Mr A P Risch	28/11/02	27/11/05	67.5	1,111,111	-	-	(1,111,111)	-
Mr K M Stedman	28/11/02	27/11/05	67.5	666,667	-	-	(666,667)	-
Mr B Milton	10/10/03	14/01/06	67.5	133,333	-	-	(133,333)	-
				1,911,111	-	-	(1,911,111)	-
Total				2,322,222	-	-	(2,100,000)	222,222

c. Shares

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

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

Q Ltd and Its Controlled Entities
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity		
		2006 \$	2005 \$	2006 \$	2005 \$	
NOTE 22: CAPITAL AND LEASING COMMITMENTS						
Finance Lease Commitments						
Non-cancellable finance leases contracted for and capitalised in the financial statements						
Payable						
—		not later than 12 months	590,536	600,130	477,635	477,634
—		later than 12 months but not later than 5 years	637,221	1,227,583	581,450	1,059,085
—		later than 5 years	-	-	-	-
		Minimum finance lease payments	1,227,757	1,827,713	1,059,085	1,536,719
		Less future finance charges	(113,738)	(234,732)	(101,871)	(206,625)
	19	Total finance lease liability	1,114,019	1,592,981	957,214	1,330,094
Capital commitments						
			-	-	-	-

The finance leases on plant and equipment are non-cancellable finance leases with the majority of the finance lease terms being between 3 to 7 years with no option to extend. The company and economic entity have an option to purchase the asset at the expiry of the lease period.

Non cancellable operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable						
—		not later than 12 months	85,691	90,524	61,524	61,524
—		later than 12 months but not later than 5 years	46,143	134,250	46,143	107,667
—		later than 5 years	-	-	-	-
		Total liability	131,834	224,774	107,667	169,191

Q Ltd and Its Controlled Entities
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 23: SEGMENT REPORTING

Primary reporting — Business segments

	Printing		Interactive Advertising		Unallocated		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
REVENUE								
External sales	5,261,186	5,117,430	3,005,244	39,599	-	-	8,266,430	5,157,029
Total sales revenue	5,261,186	5,117,430	3,005,244	39,599	-	-	8,266,430	5,157,029
Total Segment revenue	5,293,516	5,119,613	3,011,126	39,640	19,577	7,340	8,324,219	5,166,593
RESULT								
Segment result	(175,655)	13,856	227,089	374	(567,211)	(398,676)	(515,777)	(384,446)
Allocation of Over Heads	(283,606)	-	(283,605)	-	567,211	-	-	-
Loss from ordinary activities before income tax benefit	(459,261)	13,856	(56,516)	374	-	(398,676)	(515,777)	(384,446)
Income tax benefit	-	-	656	-	-	-	656	-
Loss from ordinary activities after income tax	(459,261)	13,856	(55,860)	374	-	(398,676)	(515,121)	(384,446)
Net Loss	(459,261)	13,856	(55,860)	374	-	(398,676)	(515,121)	(384,446)
ASSETS								
Segment assets	2,329,462	3,324,964	1,042,974	509,603	1,005,031	832,494	4,377,467	4,667,061
Unallocated assets	-	-	-	-	-	-	-	-
Total assets	2,329,462	3,324,964	1,042,974	509,603	1,005,031	832,494	4,377,467	4,667,061
LIABILITIES								
Segment liabilities	1,998,302	2,872,136	725,596	460,846	276,220	1,180,845	3,000,118	4,513,827
Unallocated liabilities	-	-	-	-	-	-	-	-
Total liabilities	1,998,302	2,872,136	725,596	460,846	276,220	1,180,845	3,000,118	4,513,817
Net Asset	331,160	452,828	317,378	48,757	728,811	(348,351)	1,377,349	153,234
Acquisition of segment assets	81,942	18,678	18,067	-	-	-	100,009	18,678
Depreciation	533,565	528,557	20,158	76	-	-	553,723	528,633

Q Ltd and Its Controlled Entities
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 23: SEGMENT REPORTING (Cont.)

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 were no intersegment transfers.

Business and Geographical Segments

Business Segments:

For the Financial Year ended 30th June 2006, the economic entity had the following two business segments:

- Printing
- Interactive Media Advertising

Geographical Segments:

The economic entity's business segments are located in Australia.

Q Ltd and Its Controlled Entities
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 24: CASH FLOW INFORMATION	Economic Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
a. Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities before Income Tax				
Loss from ordinary activities before income tax	(515,777)	(384,446)	(425,016)	(386,659)
Cash flows excluded from profit from ordinary activities attributable to operating activities				
Non-cash flows in profit from ordinary activities				
Depreciation	553,723	528,633	446,351	528,273
Net gain on disposal of property, plant and equipment	(6,500)	-	(6,500)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/Decrease in trade and term debtors	43,735	(204,686)	45,104	(163,928)
Increase/(Decrease) in inventories	59,748	10,707	46,345	(739)
(Decrease)/Increase in trade creditors and accruals	(222,607)	(270,582)	(546,387)	(229,472)
Increase/(decrease) in provisions	(32,885)	52,202	(9,922)	50,693
Cash flow from operations	<u>(120,563)</u>	<u>(268,172)</u>	<u>(450,025)</u>	<u>(201,832)</u>
b. Credit Standby Arrangements with Banks				
Credit facility	500,000	950,000	500,000	950,000
Amount utilised	-	700,000	-	700,000
Unused credit facility	<u>500,000</u>	<u>250,000</u>	<u>500,000</u>	<u>250,000</u>
The major facilities are summarised as follows:				
Bank Overdraft	250,000	250,000	250,000	250,000
Fully fluctuating bank overdraft facility, with the general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment. This is not utilised				
Commercial Bill Facility (the interest rate used is the Bank Bill Swap Rate).	250,000	700,000	250,000	700,000

Q Ltd and Its Controlled Entities
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 24: CASH FLOW INFORMATION (Cont.)	Economic Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
c. Unsecured Equity Financing Arrangement:				
Amount unused	-	675,000	-	675,000
Amount used	-	-	-	-
Amount available	-	675,000	-	675,000

d. Acquisition of Entities

There were no acquisition of entities during the year:

Cost of purchases	-	586,644	-	586,644
Amount due under contract 1 July 2005	221,091	-	221,091	-
Increment to cost of purchase	50,529	-	50,529	-
Cash consideration, net of cash acquired	-	304,450	-	496,091
Amount due under contract of sale 30 June 2006	(65,503)*	(221,091)	(65,503)*	(221,091)
Cash outflow	206,117	83,359	206,117	275,000

*This amount includes the additional acquisition cost of \$50,529 incurred in the 30 June 2006 financial year (refer note 14) and a balance brought forward from previous year accrual not yet paid.

The cost of acquisition was comprised of cash and shares in the case of 3 Dimension Interactive Pty Ltd and cash in the case of Project Services Australia Pty Ltd. The parent entity had paid a premium for the acquisitions as it believes the acquisitions will introduce additional synergies to its existing operations

Cost incurred on acquisition at 30 June 2005 :

	3 Dimension Pty Ltd	Project Services Pty Ltd	Total
Cash	275,000	-	275,000
Cost of transaction	130,782	90,309	221,091
Shares issued	90,553	-	90,553
Total payment	496,335	90,309	586,644

Q Ltd and Its Controlled Entities
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 24: CASH FLOW INFORMATION (Cont.)

d. Acquisition of Entities (Cont.)

Assets and liabilities held at acquisition date:

Net assets acquired	3 Dimension Interactive Pty Ltd			Project Services Australia Pty Ltd			Total fair value on acquisition \$
	Book value \$	Fair value adjustment \$	Fair value on acquisition \$	Book value \$	Fair value adjustment \$	Fair value on acquisition \$	
Current assets:							
Cash	60,532	-	60,532	131,108	-	131,108	191,640
Trade debtors	346,251	-	346,251	235,980	-	235,980	582,231
Other receivables	8,886	-	8,886	23,920	-	23,920	32,806
Inventories	-	-	-	57,922	-	57,922	57,922
Total current assets	415,669	-	415,669	448,930	-	448,930	864,599
Non current assets:							
Plant and equipment	75,570	-	75,570	329,014	-	329,014	404,584
Total non current assets	75,570	-	75,570	329,014	-	329,014	404,584
Total assets	491,239	-	491,239	777,944	-	777,944	1,269,183
Current liabilities:							
Trade creditors	(287,383)	-	(287,383)	(113,591)	-	(113,591)	(400,974)
Other creditors	(100,965)	-	(100,965)	(674,842)	-	(674,842)	(775,807)
HP Liabilities	(7,414)	-	(7,414)	(99,105)	-	(99,105)	(106,519)
Total current liabilities	(395,762)	-	(395,762)	(887,538)	-	(887,538)	(1,283,300)
Non Current liabilities:							
HP liabilities	(47,094)	-	(47,094)	(109,273)	-	(109,273)	(156,367)
Total current liabilities	(47,094)	-	(47,094)	(109,273)	-	(109,273)	(156,367)
Total liabilities	(442,856)	-	(442,856)	(996,811)	-	(996,811)	(1,439,667)
Net assets	48,383	-	48,383	(218,867)	-	(218,867)	(170,484)
Goodwill on acquisition	447,952	-	447,952	309,176	-	309,176	757,128
Total	496,335	-	496,335	90,309	-	90,309	586,644

Q Ltd and Its Controlled Entities
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 25: EMPLOYEE OPTION PLAN

In November 1999, Q Ltd established an employee option plan called the Q Ltd Incentive Option Scheme ("Scheme"). The Scheme is designed to provide a long-term incentive for employees and directors of Q Ltd. It will allow them to participate in Q Ltd'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 Q 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. 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 Q Ltd 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, no Options were issued under the Q Ltd Incentive Option Scheme.

The closing share market price of an ordinary share of Q Ltd on the Australian Stock Exchange at 30th June 2006 was \$0.024.

	Economic Entity		Parent Entity	
	2006 No.	2005 No.	2006 No.	2005 No.
a. Movement in the number of share options held by directors are as follows:				
Opening balance	411,111	411,111	411,111	411,111
Granted during the year	-	-	-	-
Lapsed during the year	(188,889)	-	(188,889)	-
Closing Balance	<u>222,222</u>	<u>411,111</u>	<u>222,222</u>	<u>411,111</u>

Movement in the number of share options held by employees, former employees, consultants and former directors are as follows:

Opening balance	1,911,111	3,400,000	1,911,111	3,400,000
Granted during the year	-	-	-	-
Lapsed during the year	(1,911,111)	(1,488,889)	(1,911,111)	(1,488,889)
Closing Balance	<u>-</u>	<u>1,911,111</u>	<u>-</u>	<u>1,911,111</u>

Q Ltd and Its Controlled Entities
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Economic Entity		Parent Entity	
2006 No.	2005 No.	2006 No.	2005 No.

**NOTE 25: EMPLOYEE OPTION PLAN
(Cont.)**

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

Grant Date	Expiry and Exercise Date	Exercise Price				
28/11/02	27/11/05	67.5 cents	-	188,889	-	188,889
24/05/04	18/12/06	67.5 cents	222,222	222,222	222,222	222,222
			222,222	411,111	222,222	411,111

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				
28/11/02	27/11/05	67.5 cents	-	1,111,111	-	1,111,111
28/11/02	27/11/05	67.5 cents	-	666,667	-	666,667
10/10/03	14/01/06	67.5 cents	-	133,333	-	133,333
			-	1,911,111	-	1,911,111

NOTE 26 EVENTS SUBSEQUENT TO REPORTING DATE

On 21st July 2006, Q Ltd entered into an agreement to acquire 100% of the share capital of List Marketing Australasia Pty Ltd ("LMA"), a leading list broker. The purchase price comprises an upfront payment of approximately \$900,000 in cash, and a deferred consideration tied to the future earnings of LMA through to 31 March 2008.

An extraordinary General Meeting held on 23 August 2006 gave approval for the Company to undertake a share placement of 50,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 2 cents per share for the purpose of funding the purchase of LMA.

Apart from the stated transaction, 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 economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Q Ltd and Its Controlled Entities
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Economic Entity		Parent Entity	
NOTE 27: RELATED PARTY TRANSACTIONS	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				
Total fees charged at arms length per arms length trade terms of 60 days to Jumbuck Entertainment Ltd (a company associated with each of the directors of Q Ltd except for Mark Halstead and Andrew Koo) for printing services. The outstanding balance at 30 June 2006 is \$3,093. This is not included in allowance for doubtful debt	34,478	10,174	34,478	10,174
Total fees charged at arms length per arms length trade terms of 60 days to Training Solutions Plus Ltd (a company associated with Paul G Choiselat) for printing services. The outstanding balance at 30 June 2006 is \$8,284. This is not included in allowance for doubtful debt.	22,846	24,235	22,846	24,235
Total administration services fees, facilities fees and occupancy fees charged by Beaconwood Securities Pty Ltd, a company associated with Paul G Choiselat. The outstanding balance is \$158,730.	524,023	490,174	524,023	490,174
A 7% underwriting fee was paid to Beaconwood Securities for the issue of shares in November 2005.	116,094	-	116,094	-
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 economic entity:				
Q Ltd				
— ordinary shares	41,769,030	7,657,043	41,769,030	7,657,043
— options over ordinary shares	222,222	1,522,222	222,222	1,522,222

Q Ltd — ordinary shares:

Directors and their related entities:

(a) acquired 34,161,987 ordinary shares in the rights issue at 9:4 ratio in November 2005. Refer Note 6(f)

b) 1,300,000 options over ordinary shares expired without being exercised during the year. Refer Directors Report.

Q Ltd and Its Controlled Entities
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 28: FINANCIAL INSTRUMENTS

a. Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, commercial bills and leases.

The main purpose of non-derivative financial instruments is to raise finance for group operations

The group does not use derivatives and does not speculate in the trading of derivative instruments.

The main risks the group is exposed to through its financial instruments are interest rate risk and credit risk.

Interest rate risk

Interest rate risk is managed by monitoring of cashflow. There is an overdraft facility and commercial bill facility in place however, Q manages its cashflow as a group so that the group does not need to use the bank facilities and if it does it is often only for very short periods of time. The credit facilities were not used as at 30 June 2006.

	Weighted Average Effective Interest Rate		Floating Interest Rate\$		Fixed Interest Rate Maturing						Total \$				
					Within Year \$		1 to 5 Years \$		Over 5 Years \$				Non-interest Bearing \$		
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	
Financial Assets:															
Cash	8.00	3.10	313,584	172,627	-	-	-	-	-	-	-	-	-	313,584	172,627
Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	1,665,827	1,658,063
Other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	20,773	33,593
Total Financial Assets			313,584	172,627										1,686,600	1,691,656
Financial Liabilities:															
Commercial Bill	5.65	5.66	-	-	-	700,000	-	-	-	-	-	-	-	-	700,000
Trade and sundry creditors	-	-	-	-	-	-	-	-	-	-	-	-	-	1,524,431	1,824,397
Employee entitlements	-	-	-	-	-	-	-	-	-	-	-	-	-	257,787	251,632
Finance lease liabilities	8.00	8.00	-	-	513,300	479,399	600,719	1,113,582	-	-	-	-	-	-	1,114,019
Total Financial Liabilities			-	-	513,300	1,179,399	600,719	1,113,582	-	-	-	-	-	1,782,218	2,075,929

b. 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 allowance for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

c. 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.

NOTE 29: CONTINGENT LIABILITIES

There are no contingent liabilities.

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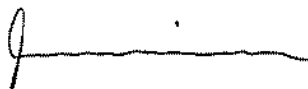
DIRECTORS' DECLARATION

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

Dated this 29th day of August 2006

Independent audit report to the members of Q Ltd

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 **Q Ltd** (the company) and the consolidated entity, for the financial year ended **30 June 2006** as set out on pages 24 to 58. 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 17 to 22 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 so as to present a view which is consistent with our understanding of the company's and the

DTT Victoria

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 Q Ltd 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 17 to 22 of the directors' report comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures*.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1a 'Going Concern' there is significant uncertainty whether the company and the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

DTT Victoria

DTT VICTORIA



R D D Collie

Partner

Chartered Accountants

Melbourne, 29 August 2006

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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.

Q Ltd and Controlled Entities

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Additional Investor Information

Stock Exchange Listing

QXQ is listed on ASX under the code QXQ for ordinary shares.

Distributions

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

Registry

Computershare Investor Services Pty Limited is QXQ'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, if any. 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 850 505 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 (Sydney time) on all business days. Enquiries may also be e-mailed (at therbst@beconwood.com.au) 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.

Annual General Meeting

QXQ's last Annual General Meeting was held on 27 October 2005. Shareholders approved the non-renounceable rights issue of approximately 110 million shares, endorsed the re-appointment of Kevin Campbell and Mark Halstead, approved the previous issue of 533,333 excess shares under Share Purchase Plan; approved the issue of 4,140,523 shares to Mr Mark Halstead, the vendor of 3Di; approved the issue of up to 7,092,199 shares to Johnstones as vendors of PSA; and approved the issue of up to 15,957,448 shares on same terms as the rights issue to

- in the first instance, Rodney Johnstone, Wendy Johnstone, Paul Johnstone and Qing Johnstone; or
- if Rodney Johnstone, Wendy Johnstone, Paul Johnstone and Qing Johnstone do not acquire such shares by 16 January 2006, to such persons as constitute a professional investor (as defined in the Corporations Act 2001) and then were given an overview of the performance of the Group.

The next Annual General Meeting will be held on Thursday 26 October 2006 at Level 5, Bank House, 11 Bank Place, Melbourne, Victoria.

Q Ltd and Controlled Entities

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Statement of Shareholders

QXQ 20 largest ordinary shareholders and their holdings as at 16 August 2006:

Shareholder	Number of shares	%
Mr Mark Halstead	13,456,700	7.33
Beconwood Pty Ltd	12,293,333	6.69
Smartway Money Limited	6,531,000	3.56
Quad Holdings Pty Ltd	5,788,334	3.15
Sinostar Logistics Limited	5,166,393	2.81
Abel Tasman Corporation Limited	5,000,000	2.72
Cathay Financial Services Ltd	4,910,462	2.67
Mr Andrew Heng Seak Koo + Mrs Barbara Sue Koo <Koo Superannuation Fund A/C>	4,250,000	2.31
Beconwood Superannuation Pty Ltd <WSF A/C>	3,661,532	1.99
Mr Stan Loucas	3,287,485	1.79
Repysa Holdings Inc	3,260,206	1.78
Mrs Liliana Teofilova	2,854,725	1.55
Lok Hung Nominees Pty Ltd <Stone Family Super Fund A/C>	2,675,000	1.46
Three Zebras Pty Ltd	2,525,000	1.37
Caldera Investments Pty Ltd <Grivas Family Account>	2,500,000	1.36
Mr Kenneth William Breese + Mrs Jennifer Ruth Breese <BPD Executive Superfund A/C>	2,444,400	1.33
Whiteline Investments Pty Ltd <White Family A/C>	2,419,450	1.32
Mibran Services Pty Ltd <Mibran Superannuation A/C>	2,350,000	1.28
Abron Management Services Pty Limited <Brown Family Superannuation A/C>	2,166,680	1.18
Mr Petros Grivas + Mrs Marina Lina Grivas <Caldera Super Fund A/C>	2,000,000	1.09
Top 20 holders of ORDINARY SHARES (GROUPED) as at 16 Aug 2006	89,540,700	48.74
Balance of holders	94,120,712	51.26
Total on issue	183,661,412	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 (Cents)	Number Under Option
Hon J G Kennett	24/05/04	18/12/06	67.5	222,222
Total options				222,222

Distribution of Shareholders

Range at 31 July 2006	Fully paid ordinary shares	Options
1 - 1,000	129	-
1,001 - 5,000	373	-
5,001 - 10,000	76	-
10,001 - 100,000	198	-
100,001 and over	195	-
Total number of holders	971	-
Holder of less than a marketable parcel	642	-

Substantial Shareholders

Shareholder	No. of securities held	Percentage held
Mark Halstead	13,456,700	7.32
Beconwood Securities Pty Ltd	21,057,883	11.47

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 not carry voting rights.

Q Ltd and Controlled Entities

ABN 13 083 160 909

Corporate Directory

Listed Entities Comprising QXQ:

Q Ltd
ABN 13 083 160 909

ASX Listing Code:

QXQ (ordinary shares)

Website:

Registered office:

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

Principal Place of Business:

QDi/PSA
108 Railway Parade
WEST PERTH WA 6005
Telephone: 618 9422 4333
Facsimile: 618 9322 4113

3Di

99 Palmer Street
Woolloomooloo
New South Wales 2011
Telephone: 612 8307 0141

Directors of Q Ltd:

Kevin V Campbell – Chairman
Paul G Choiselat – Managing Director
Andrew HS Koo - CEO
Mark Halstead
Bruce R Bennie
Hon Jeffrey G Kennett

Company Secretary of Q Ltd:

Tamira D Herbst
Email: therbst@beconwood.com.au

Share Registry:

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford Vic 3067
Telephone: 1300 850 505
Fax: 61 3 9473 2555
www.computershare.com

Auditors of QXQ:

BDO
563 Bourke Street
MELBOURNE VIC 3000

Glossary

3Di	3 Dimension Interactive Pty Ltd ACN 104 904 396
ASX	Australian Stock Exchange
Auditor	auditor of QXQ, being BDO
Board	Board of Directors of QXQ
BPR	Best Practice Recommendations of ASX Principles of Good Corporate Governance
Company	Q Ltd ACN 083 160 909
FY2006	financial year ending 30 June 2006
Group	QXQ
LMA	List Marketing Australasia Pty Ltd ACN 093 482 305
Ordinary Shares	ordinary shares in QXQ
pa	per annum
PSA	Project Services Australia Pty Ltd ACN 009 318 683
QXQ	Q Ltd and its controlled entities
Year	financial year