

Preliminary Final Report Of *engin Limited* for the Financial Year Ended 30 June 2006

(ACN 063 582 990)

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

Current Reporting Period: Financial Year Ended 30 June 2006

Previous Corresponding Period: Financial Year Ended 30 June 2005

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2006

Revenue and Net Profit		<i>Percentage Change</i>		
		%	To	Amount \$
Revenue	Up	458.9%	To	8,605,373
Loss from ordinary activities after tax attributable to members	Up	65.0%	To	(7,510,045)
Net loss attributable to members	Down	-%	To	(7,319,252)

Dividends (Distributions)	Amount per security	Franked amount per security
	No dividends were paid during the period	-

Brief Explanation of Revenue, Net Profit and Dividends

The year ended 30 June 2006 represents the first financial year that the consolidated entity has traded solely as the broadband telephone company - engin Limited.

Cash at bank at 30 June 2006 was \$3.0 million (June 2005 \$2.9 million). The company raised \$9.4 million during the financial year by way of a rights issue and private placement.

Broadband telephony revenue increased by 458.9 per cent during the year, reflecting the subscriber line base growth to 39,000 at 30 June 2006 (30 June 2005: 5,800).

The company's net loss from continuing operations of \$7.5 million represents an increase of 65.0 per cent during the year ended 30 June 2006. The prior year consolidated result included \$13.2 million of other income relating to the settlement of the Agent Service Provider Agreement with Vodafone.

For more detail, please refer to Note 3 - Commentary On Consolidated Results.

engin Limited

**Consolidated income statement
for the
financial year ended 30 June 2006**

	Note	Consolidated	
		2006	2005
		\$	\$
Revenue	2(a)	8,605,373	1,540,128
Changes in inventories of finished goods and work in progress		195,532	56,402
Employee costs		(7,152,995)	(2,227,284)
Consumables used		(5,722,129)	(1,613,469)
Marketing expense		(3,608,844)	(2,460,810)
Depreciation expense		(900,001)	(327,145)
Communications expense		(536,434)	(144,165)
Financial institution costs		(158,508)	(17,030)
Occupancy costs		(251,743)	(24,978)
Bad debt expense and debt collection costs		(204,693)	(37,088)
Computer licence fees		(63,638)	(226,130)
Finance costs		(38,367)	-
Legal expenses		(28,274)	(114,968)
Other expenses from ordinary activities		(1,017,429)	(997,810)
<i>(Loss) Before Income Tax Benefit</i>	2	(10,882,150)	(6,594,348)
Income tax benefit		3,372,105	2,042,731
<i>(Loss) From Continuing Operations</i>		(7,510,045)	(4,551,617)
Profit From Discontinued Operations		190,793	8,589,171
<i>(Loss)/Profit For the Period</i>		(7,319,252)	4,037,554
<i>Profit attributable to minority interest</i>		-	-
<i>(Loss)/Profit attributable to members of the parent entity</i>		(7,319,252)	4,037,554

engin Limited

**Consolidated balance sheet
as at 30 June 2006**

	Note	Consolidated	
		2006 \$	2005 \$
Current Assets			
Cash and cash equivalents	5(a)	2,976,000	588,034
Trade and other receivables		1,114,885	756,447
Inventories		267,852	72,320
Current tax assets		-	12,950
Security deposits	6	15,781	2,285,000
Other		131,279	130,275
Total Current Assets		4,505,797	3,845,026
Non-Current Assets			
Investments accounted for using the equity method		27,474	190,660
Property, plant and equipment		4,887,733	1,989,693
Deferred tax assets		3,533,227	250,709
Total Non-Current Assets		8,448,434	2,431,062
Total Assets		12,954,231	6,276,088
Current Liabilities			
Trade and other payables		3,973,750	1,710,515
Borrowings		532,245	125,980
Provisions		394,935	245,121
Total Current Liabilities		4,900,930	2,081,616
Non-Current Liabilities			
Borrowings		1,099,097	-
Provisions		91,807	71,055
Total Non-Current Liabilities		1,190,904	71,055
Total Liabilities		6,091,834	2,152,671
Net Assets		6,862,397	4,123,417
Equity			
Issued capital		9,677,434	221,054
Employee equity-settled benefits reserve		750,454	148,602
(Accumulated losses)/Retained earnings	4	(3,565,491)	3,753,761
Total Equity		6,862,397	4,123,417

engin Limited

**Consolidated cash flow statement
for the financial year ended 30 June 2006**

	<u>Note</u>	Consolidated	
		2006	2005
		\$	\$
Cash Flows From Operating Activities			
Receipts from customers		10,733,089	10,644,340
Receipts from Vodafone		-	11,200,000
Payments to suppliers and employees		(16,441,369)	(16,641,509)
Dividends received		628,000	975,000
Interest received		240,494	260,140
Interest and other costs of finance paid		(38,367)	(21,638)
Income tax paid		-	(1,405,407)
R&D Income tax concession refund		102,418	-
Net cash (used in)/provided by operating activities	5(c)	<u>(4,775,735)</u>	<u>5,010,926</u>
Cash Flows From Investing Activities			
Payment for property, plant and equipment		<u>(2,140,681)</u>	<u>(1,248,267)</u>
Net cash used in investing activities		<u>(2,140,681)</u>	<u>(1,248,267)</u>
Cash Flows From Financing Activities			
Dividends paid		-	(10,126,089)
Proceeds from issues of equity securities		9,456,380	-
Repayment of borrowings		<u>(151,998)</u>	<u>(235,221)</u>
Net provided by/(cash used) in financing activities		<u>9,304,382</u>	<u>(10,361,310)</u>
Net Increase / (Decrease) In Cash Held		2,387,966	(6,598,651)
Cash At The Beginning Of The Financial Year		<u>588,034</u>	<u>7,186,685</u>
Cash At The End Of The Financial Year	5(a)	<u>2,976,000</u>	<u>588,034</u>

engin Limited

**Statement of changes in equity
for the financial year ended 30 June 2006**

	Ordinary shares	Employee Equity Settled Benefits Reserve	Retained earnings	Total attributable to equity holders of the entity
	\$	\$	\$	\$
Balance as at 1 July 2005	221,054	148,602	3,753,761	4,123,417
Loss for period	-	-	(7,319,252)	(7,319,252)
Total recognised in income & expense for the period	-	-	(7,319,252)	(7,319,252)
Recognition of share-based payments	-	601,852	-	601,852
Issue of shares	10,039,882	-	-	10,039,882
Share issue costs	(583,502)	-	-	(583,502)
Dividends	-	-	-	-
Balance as at 30 June 2006	9,677,434	750,454	(3,565,491)	6,862,397

**Notes to the Financial Statements
for the year ended 30 June 2006**

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**Notes to the Financial Statements
for the year ended 30 June 2006**

1. Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is discussed in note 15.

Consolidated	
2006	2005
\$	\$

2. (Loss)/Profit from operations

(Loss)/Profit from operations includes the following items of revenue and expense:

(a) Operating Revenue

Rendering of services	5,724,171	4,294,999
Sale of goods	2,366,708	1,598,448
Interest received	240,494	260,140
Dividends from Look Distribution Pty Limited	274,000	175,000
	8,605,373	8,458,587
 Equity share of joint venture's profit	 190,793	 855,977
	8,796,166	9,314,564

Attributable to:

Continuing Operations	8,605,373	1,540,128
Discontinued Operations	190,793	7,774,436
	8,796,166	9,314,564

(b) Non-operating Revenue

Settlement revenue from Vodafone dispute	-	13,200,000
	8,796,166	22,514,564

**Notes to the Financial Statements
for the year ended 30 June 2006**

2. (Loss)/Profit from operations (continued)

	Consolidated	
	2006	2005
	\$	\$
(c) Expenses		
Cost of sales	5,660,414	1,130,568
Borrowing costs:		
Finance lease finance charge	38,367	21,638
Net bad and doubtful debts expense / (recovery)	70,578	(12,476)
Depreciation and amortisation of non-current assets:		
Billing system and other plant & equipment	900,001	1,837,686
Operating lease rental expenses		
- Minimum lease repayments	203,922	381,078

**Notes to the Financial Statements
for the year ended 30 June 2006**

3. Commentary on Consolidated Results – Review of Operations

Engin Limited reports a net loss after tax of \$7.32 million (EBITDA loss \$9.99 million), the June 2006 result represents the first financial reporting period that the company has traded solely as Engin.

Revenue and subscriber line growth

Engin's revenues have increased by 459 per cent to \$8.6 million compared to \$1.5 million for the previous year, which continues to set Engin apart as the fastest growing broadband telephony company in Australia. Engin's paying subscriber numbers have grown from 5,800 at June 2005 to 39,000 as at June 2006.

Usage

In line with subscriber growth, voice traffic across the Engin network also continues to grow. In the month of June 2006, in excess of 13,000,000 minutes of voice traffic was carried over the Engin network.

Capital raising

During the financial year the company issued new capital, in total a net \$9.4 million, by way of a Rights Issue in August 2005 raising \$5.6 million and a Private Placement in January 2006 raising \$3.8 million.

Subsequent events

On 25 July 2006 approval was granted at a meeting of shareholders to issue up to 50,000,000 new shares. The purpose of the capital to be raised is to accelerate growth, expand infrastructure and diversify the company's product offerings.

The Company has been and is currently in discussions with third parties in relation to capital raising opportunities. As at the time of release of this document, the Company is unable to make an announcement about discussions it has engaged in, as they concern possible options that are confidential, incomplete and are insufficiently definite to warrant disclosure.

**Notes to the Financial Statements
for the year ended 30 June 2006**

	Consolidated	
	2006	2005
	\$	\$
4. (Accumulated losses)/Retained earnings		
Balance at beginning of financial year (note 15)	3,753,761	9,842,296
Net profit/(loss) attributable to members of the parent entity	(7,319,252)	4,037,554
Dividends paid	-	(10,126,089)
Balance at end of financial year	<u>(3,565,491)</u>	<u>3,753,761</u>

**Notes to the Financial Statements
for the year ended 30 June 2006**

Consolidated	
2006	2005
\$	\$

5. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the balance sheet as follows:

Cash and cash equivalents	2,976,000	588,034
	<hr/>	<hr/>
	2,976,000	588,034

(b) Non-cash financing and investing activities

During the financial year the consolidated entity acquired plant, property and equipment with a value of \$1,657,360 by way of finance lease. As this transaction is a non-cash financing activity this amount is not included in the payment of plant, property and equipment figure.

**Notes to the Financial Statements
for the year ended 30 June 2006**

	Consolidated	
	2006	2005
	\$	\$
5. Notes to the cash flow statement (continued)		
<i>(c) Reconciliation (loss)/profit for the period to net cashflows from operating activities</i>		
Profit/(loss) for the period	(7,319,252)	4,037,554
Share of joint venture entities profit (less dividends)	163,186	(55,977)
Depreciation and amortisation of non-current assets	900,001	1,837,686
Employee equity settled benefits	601,852	148,602
Increase/(decrease) in current tax balances	828,950	(933,161)
(Increase)/decrease in deferred tax balances	(3,282,518)	940,627
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Current receivables	(358,438)	787,745
Current inventories	(195,532)	(49,075)
Current security deposits	2,269,219	(2,285,000)
Other current assets	(1,004)	58,638
Increase/(decrease) in liabilities:		
Current trade payables	1,447,235	672,254
Other current liabilities	149,814	(95,084)
Other non-current liabilities	20,752	(53,883)
	(4,775,735)	5,010,926
Net cashflows (used in)/provided by operating activities		

6. Security Deposits

Security Deposits – Vodafone bond	-	2,000,000
Security Deposits - Other	15,781	285,000
	15,781	2,285,000
	15,781	2,285,000

**Notes to the Financial Statements
for the year ended 30 June 2006**

7. Details Relating to Dividends (Distributions)

		Date dividend payable	Amount per security ¢	Amount per security of foreign sourced dividend ¢
Special dividend	2006	-	-	-
	2005	21/12/2004	6.0	-
		02/05/2005	3.0	-
Total	2006	-	-	-
	2005	21/12/2004	6.0	-
		02/05/2005	3.0	-

Total dividend (distribution) per security (interim plus final)

	2006 ¢	2005 ¢
Ordinary securities (each class separately)	-	9.0

Interim and final dividend (distribution) on all securities

	2006 \$	2005 \$
Ordinary securities (each class separately)	-	10,126,089
Total	-	10,126,089

Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

**Notes to the Financial Statements
for the year ended 30 June 2006**

8. Earnings Per Share

	Consolidated	
	2006	2005
	¢ per share	¢ per share
Basic EPS	(3.67)	3.59
Diluted EPS	(3.67)	3.51

Basic Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2006	2005
	\$	\$
Earnings (a)	(7,319,252)	4,037,554
	2006	2005
	No.	No.
Weighted average number of ordinary shares (b)	199,636,179	112,512,100

Diluted Earnings per Share

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

	2006	2005
	\$	\$
Earnings (a)	(7,319,252)	4,037,554
	2006	2005
	No.	No.
Weighted average number of ordinary shares and potential ordinary shares (b)	199,636,179	114,863,881

**Notes to the Financial Statements
for the year ended 30 June 2006**

8. Earnings Per Share (continued)

- (a) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the statement of financial performance as follows:

	2006	2005
	\$	\$
Net profit	(7,319,252)	4,037,554
	<u>(7,319,252)</u>	<u>4,037,554</u>

- (b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2006	2005
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic EPS	199,636,179	112,512,100
Employee Options *	-	2,351,781
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	<u>199,636,179</u>	<u>114,863,881</u>

* The effect of employee options is anti-dilutive in 2006 and has therefore been excluded from the calculation of the diluted weighted average number of shares

9. Net Tangible Assets Per Security

	Consolidated	
	2006	2005
	¢	¢
Net tangible assets per security	<u>2.0</u>	<u>3.7</u>

**Notes to the Financial Statements
for the year ended 30 June 2006**

10. Details of Entities Over Which Control Has Been Gained or Lost

Control gained over entities

Name of entity (or group of entities) N/A

Date control gained N/A

2006
\$

Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, from the date of gaining control. NIL

2005
\$

Net profit/(loss) of the controlled entity (or group of entities) for the whole of the previous corresponding period. NIL

Loss of control of entities

Name of entity (or group of entities) N/A

Date control lost N/A

2006
\$

Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, to the date of losing control. NIL

2005
\$

Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities for the whole of the previous corresponding period. NIL

**Notes to the Financial Statements
for the year ended 30 June 2006**

11. Details of Associates and Joint Venture Entities

Name of Entity	Ownership Interest		Contribution to net profit	
	2006 %	2005 %	2006 \$	2005 \$
Associates	-	-	-	-
Joint Venture Entities				
Look Mobile Limited	50	50	190,793	855,977
Aggregate Share of Profits	N/A	N/A	190,793	855,977

**Notes to the Financial Statements
for the year ended 30 June 2006**

12. Segment Information

Information on Business Segments

	Revenues from External Customers		Results		Assets	
	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$
<i>Agent Service Provider (1)</i>	190,793	20,714,843	190,793	11,684,787	-	9,590,536
<i>Broadband Telephony (2)</i>	8,364,879	1,539,581	(11,122,644)	(6,472,871)	12,138,232	2,767,483
<i>Total segments</i>	8,555,672	22,254,424	(10,931,851)	5,211,916	12,138,232	12,358,019
<i>Eliminations</i>	-	-	-	-	-	(6,345,590)
<i>Unallocated</i>	240,494	260,140	240,494	238,511	-	263,659
<i>(Loss)/Profit before income tax expense</i>			(10,691,357)	5,450,427		
<i>Income tax</i>			3,372,105	(1,412,873)		
<i>Net (Loss)/Profit attributable to members</i>			(7,319,252)	4,037,554		
	8,796,166	22,514,564	(7,319,252)	4,037,554	12,138,232	6,276,088

(1) engin Limited operated predominately in the telecommunications industry within Australia as an Agent Service Provider. The share of net profits of the joint venture entity Look Mobile Limited are also included as revenues.

(2) MIBroadband Pty Limited operates as a provider of Broadband Telephony services within Australia.

	Liabilities		Depreciation		Acquisition of Assets	
	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$
<i>Agent Service Provider</i>	-	638,745	-	1,510,541	-	19,272
<i>Broadband Telephony</i>	5,275,877	7,733,536	900,001	327,145	3,798,041	1,228,995
<i>Total segments</i>	5,275,877	8,372,281	900,001	1,837,686	3,798,041	1,248,267
<i>Eliminations</i>	-	(6,345,590)	-	-	-	-
<i>Unallocated</i>	-	125,980	-	-	-	-
	5,275,877	2,152,671	900,001	1,837,686	3,798,041	1,248,267

**Notes to the Financial Statements
for the year ended 30 June 2006**

12. Segment Information (continued)

	Other segment information	
	2006 \$	2005 \$
<i>Agent Service Provider - Carrying value of investments accounted for using the equity method</i>	27,473	190,660
<i>Agent Service Provider - Share of net profit of associates & joint venture entities accounted for under the equity method</i>	190,793	855,977

13. Subsequent Events

On 25 July 2006 approval was granted at a meeting of shareholders to issue up to 50,000,000 new shares. The purpose of the capital to be raised is to accelerate growth, expand infrastructure and diversify the company's product offerings.

The Company has been and is currently in discussions with third parties in relation to capital raising opportunities. As at the time of release of this document, the Company is unable to make an announcement about discussions it has engaged in, as they concern possible options that are confidential, incomplete and are insufficiently definite to warrant disclosure.

**Notes to the Financial Statements
for the year ended 30 June 2006**

14. Other Significant Information

Going Concern

In the director's opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they fall due and payable.

On 25 July 2006 approval was granted at a meeting of shareholders to issue up to 50,000,000 new shares. The purpose of the capital to be raised is to accelerate growth, expand infrastructure and diversify the company's product offerings.

The Company has been and is currently in discussions with third parties in relation to capital raising opportunities. As at the time of release of this document, the Company is unable to make an announcement about discussions it has engaged in, as they concern possible options that are confidential, incomplete and are insufficiently definite to warrant disclosure.

Options

Option Plan	Exercise Price Per Option	Issue Date	Expiry Date	Number of Options Outstanding as at 1 July 2005	Number of Options Exercised	Number of Options Lapsed	Number of Options Outstanding as at 30 June 2006
Executive & Employee Share Option Plan	\$1.00	16 Aug 2000	16 Aug 2005	150,000	-	150,000	-
Executive & Employee Share Option Plan	\$1.00	1 Jan 2001	1 Jan 2006	150,000	-	150,000	-
Executive & Employee Share Option Plan II	\$0.50	16 Aug 2000	16 Aug 2005	1,500,000	-	1,500,000	-
Executive & Employee Share Option Plan II	\$0.50	1 Jan 2001	1 Jan 2006	150,000	-	150,000	-
Executive Share Ownership Plan	\$0.00	27 Jan 2005	30 Nov 2009	5,500,000	1,575,000	-	3,925,000
Executive Share Ownership Plan	\$0.00	27 Jun 2005	30 Nov 2009	3,800,000	1,132,500	17,500	2,650,000
Total				11,250,000	2,707,500	1,967,500	6,575,000

**Notes to the Financial Statements
for the year ended 30 June 2006**

15. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards

The consolidated entity changed its accounting policies on 1 July 2004 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Effect of A-IFRS on the balance sheet as at 1 July 2004

	Not e	Consolidated		
		Super-seded policies* \$	Effect of transition to A- IFRS \$	A-IFRS \$
Current assets				
Cash and cash equivalents		7,186,685	-	7,186,685
Trade and other receivables		1,544,182	-	1,544,182
Inventories		23,246	-	23,246
Other		188,914	-	188,914
Total current assets		8,943,027	-	8,943,027
Non-current assets				
Investments accounted for using the equity method		134,683	-	134,683
Property, plant and equipment		2,579,112	-	2,579,112
Deferred tax assets	b	1,191,336	-	1,191,336
Total non-current assets		3,905,131	-	3,905,131
Total assets		12,848,158	-	12,848,158
Current liabilities				
Trade and other payables		1,038,261	-	1,038,261
Borrowings		255,256	-	255,256
Current tax payables		920,211	-	920,211
Provisions		302,667	-	302,667
Other		37,538	-	37,538
Total current liabilities		2,553,933	-	2,553,933
Non-current liabilities				
Borrowings		105,946	-	105,946
Provisions		124,929	-	124,929
Total non-current liabilities		230,875	-	230,875
Total liabilities		2,784,808	-	2,784,808
Net assets		10,063,350	-	10,063,350
Equity				
Issued capital		221,054	-	221,054
Retained earnings	c	9,842,296	-	9,842,296
Total equity		10,063,350	-	10,063,350

**Notes to the Financial Statements
for the year ended 30 June 2006**

15. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (continued)

Effect of A-IFRS on the income statement for the financial year ended 30 June 2005

	Note	Financial year ended 30 Jun 2005		
		Super-seded policies* \$	Effect of transition to A- IFRS \$	A-IFRS \$
Revenue		8,458,587	-	8,458,587
Revenue from settlement proceeds		13,200,000	(13,200,000)	-
Share of profits of associates and jointly controlled entities accounted for using the equity method		855,977	-	855,977
Other income from settlement proceeds		-	13,200,000	13,200,000
Changes in inventories of finished goods and work in progress		49,075	-	49,075
Raw materials and consumables used		(1,900,295)	-	(1,900,295)
Employee costs	a	(5,776,282)	(148,602)	(5,924,884)
Marketing expenses		(2,460,810)	-	(2,460,810)
Communications expense		(840,174)	-	(840,174)
Depreciation and amortisation expense		(1,837,686)	-	(1,837,686)
Financial institution costs		(359,659)	-	(359,659)
Occupancy costs		(379,932)	-	(379,932)
Borrowing costs		(21,638)	-	(21,638)
Bad debt expense and collection costs		(92,944)	-	(92,944)
Retrenchment costs		(854,547)	-	(854,547)
Legal expenses		(444,550)	-	(444,550)
IT maintenance costs		(536,957)	-	(536,957)
Other expenses from ordinary activities		(1,459,136)	-	(1,459,136)
Profit before income tax expense		5,599,029	(148,602)	5,450,427
Income tax expense	b	(1,663,582)	250,709	(1,412,873)
Profit from continuing operations		3,935,447	102,107	4,037,554
Profit for the period		3,935,447	102,107	4,037,554
Profit attributable to members of the parent entity		3,935,447	102,107	4,037,554

* Reported financial results under previous Australian GAAP.

**Notes to the Financial Statements
for the year ended 30 June 2006**

15. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (continued)

Effect of A-IFRS on the balance sheet as at 30 June 2005

	Note	30 Jun 2005		
		Super-seded policies* \$	Effect of transition to A-IFRS \$	A-IFRS \$
Current assets				
Cash and cash equivalents		588,034	-	588,034
Trade & other receivables		756,447	-	756,447
Security deposits		2,285,000	-	2,285,000
Inventories		72,320	-	72,320
Current tax assets		12,950	-	12,950
Other		130,275	-	130,275
Total current assets		3,845,026	-	3,845,026
Non-current assets				
Investments accounted for using the equity method		190,660	-	190,660
Deferred tax assets		-	250,709	250,709
Property, plant and equipment		1,989,693	-	1,989,693
Total non-current assets		2,180,353	250,709	2,431,062
Total assets		6,025,379	250,709	6,276,088
Current liabilities				
Trade & other payables		1,710,515	-	1,710,515
Borrowings		125,980	-	125,980
Provisions		245,121	-	245,121
Total current liabilities		2,081,616	-	2,081,616
Non-current liabilities				
Provisions		71,055	-	71,055
Total non-current liabilities		71,055	-	71,055
Total liabilities		2,152,671	-	2,152,671
Net assets		3,872,708	250,709	4,123,417
Equity				
Share capital		221,054	-	221,054
Employee equity-settled benefits reserve	a	-	148,602	148,602
Retained earnings	c	3,651,654	102,107	3,753,761
Total equity		3,872,708	250,709	3,753,761

* Reported financial position under previous Australian GAAP.

**Notes to the Financial Statements
for the year ended 30 June 2006**

15. **Impacts of the adoption of Australian equivalents to International Financial Reporting Standards** (continued)

Effect of A-IFRS on the cash flow statement for the financial year ended 30 June 2006

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

Notes to the reconciliations of income and equity

(a) Share-based payments

For the financial year ended 30 June 2005, share-based payments of \$148,602 (included in 'employee benefit expenses') which was not recognised under the superseded policies were recognised under A-IFRS, with a corresponding increase in the employee equity-settled benefits reserve. The performance rights were granted on 27 January 2005 and 27 June 2005 therefore had no impact on prior periods.

These adjustments had no material tax or deferred tax consequences.

(b) Income tax

Under the superseded policies, the consolidated entity adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under A-IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

The effect of the above adjustments on the deferred tax balances are as follows:

	Consolidated	
	1 Jul 2004 \$	30 June 2005 \$
Deferred tax not recognised under previous GAAP	-	250,709
Net increase in deferred tax balances	-	250,709

The effect on consolidated profit for the financial year ended 30 June 2005 was to decrease previously reported income tax expense by \$250,709.

(c) Retained earnings

The effect of the above adjustments on retained earnings is as follows:

	Note	Consolidated	
		1 Jul 2004 \$	30 Jun 2005 \$
Expensing share-based payments	a	-	(148,602)
Adjustments to tax balances	b	-	250,709
Total adjustment to retained earnings		-	102,107
Attributable to members of the parent entity		-	102,107

**Notes to the Financial Statements
for the year ended 30 June 2006**

16. Information on Audit or Review

This preliminary final report is based on accounts to which one of the following applies.

- | | | | |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

N/A

Description of dispute or qualification if the accounts have been audited or subjected to review.

N/A