05/06

Fitting all the pieces together

Annual Report 05/06

Bill Express Limited

Media Advertising and Promotions, Electronic Transactions, Electronic Products and Prepaid, Bill Payments, Rewards

Contents

Network Diagram

1.
Instore Promotions & Advertising Systems

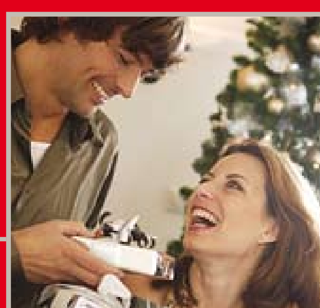
XIP & PodTV

2.
Sales, Orders Invoicing & Billing Systems

DialTime, PC

3.
Debt. Collections & Payments Systems

***Bill* EXPRESS & bopo**

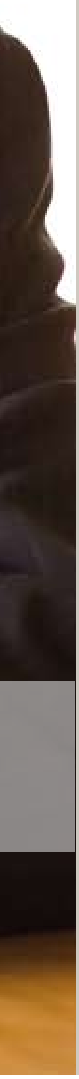


4.
Reward & Loyalty Systems

Mi-Rewards

growth

“The year has been an eventful one with continued expansion of our technology base, an increase of our retail outlets and of significant growth in our total revenue.”



Chairman's Report
Peter McDougall

The second annual report of Bill Express covers a year of continued growth, as well as the integration of the Ezipin and PodTV acquisitions, and the consolidation of the Company's footprint in the Australian market using our exclusive Electronic Business Management System ("EBMS").

As at 30th June 2006

The Company's gross turnover has grown from the reported revenue last year of $475.7 million to $786.9 million this year, a growth of some 65.4% which exceeds our previously stated revenue forecast of $700 million. The increase in revenue makes Bill Express the largest provider of recharge telephony to the retail market in Australia. This increase in percentage of electronic transactions has been accompanied by the downward pressure on margins which have been experienced by the whole industry. The compounding organic growth rate slowed down somewhat from the previous year, but was boosted by the completion of the acquisition of Ezipin which contributed approximately $170 million to our revenue.

Bill Express maintained its policy of investment in research and development, with an investment of $5.6 million to improve existing technology and undertake development of new products going to market.

The release on 24 July 2006 of the bopo Prepaid Visa card resulted from approximately two years of dedicated effort byour development team to produce a card with all the functionality of a credit card, whilst having the convenience of small denominator transactions and Internet top-up at very low cost and with limited risk of fraud.

The revenue from various sources has increased through the use of our EBMS which is being used directly or indirectly by telephone companies, transit authorities, gaming enterprises, utility providers and for electronic music and games downloading. This business in time will generate a better margin than our current high volume business.

The bopo Prepaid Visa card will generate income and profits from a range of fees, and will provide the payment mechanism for increased activity from bill payment and other segments. This additional activity coupled with a new direction to pursue media through the XIP Media network, will see the product mix of the company continue to evolve to further increase revenues to add to the traditional revenue base.

After taking into account a loss in PodTV of $1.7 million for the current financial year, the media section of our business generated income and has delivered a profit before tax of $737,595.

The year has been an eventful one with continued expansion of our technology base, an increase of our retail outlets and of significant growth in our total revenue.

The Company's second year has seen its turnover reach $786.9 million, which generated free cashflow from operations of $31.7 million, with $14.8 million spent on strategic acquisitions, extensive network expansion of $22.8 million, $1.5 million spent on brand awareness and promotions and research and development expenditure of $5.6 million, all being incurred during the period. This has led to an EBITDA of $25.067 million and $8.092 million profit before income tax which in turn leads to a net profit of $6.324 million.

The new financial year will see the Company put forward a recommendation to the shareholders for their approval of KPMG as the company's new auditors and the appointment of two new independent directors who will add corporate, accounting and financial experience to the Board. It is expected that these parties will assist in delivering an enhanced result to the shareholder in future periods.

Yours faithfully

Peter McDougall
Chairman

Year at a Glance

- DialTime revenue grew to $768 million in 2005/06, a 63.5% increase on the previous year
- A total of 14,168 retailers were trading as DialTime sites at 30 June 2006
- The *Bill* EXPRESS payment service had signed up 364 billers at 30 June 2006
- A total of 3,717 outlets were trading as *Bill* EXPRESS sites at 30 June 2006
- DialTime prepaid range grew to 289 products
- Entered into an agreement in April 2006 to electronically distribute Apple iTunes vouchers through the DialTime system
- Developed and went live with a prepaid chip card facility for prepaid electricity for Aurora Energy (Tasmania)
- Won SA Government tender for the supply of in-person bill payment services
- Contracted major billers AGL, VicRoads and Ezikey for the collection of post and prepaid services
- Old billing system licenses and service agreements worth $8.4 million over three years with ETT Limited and APN Pty Ltd
- Acquired all shares in Ezipin Group Limited and the balance of shares not previously owned in PodTV
- Awarded the contract by Coles Express to supply a range of electronic services to the 600-site national Coles Express network
- PodTV contracted with the ANZ Bank to provide a retail television network as part of the ANZ's branch expansion program, and installed about 50 sites
- Media division income grew over the course of the year to $3.84 million
- Successfully broadened revenue base in preparation for new growth in 2006/07
- Successfully established the bopo Prepaid Visa card, Australia's first fully functional reloadable prepaid Visa card

Strategic Overview

Strategic positioning is best established by setting your future requirements, having regard for the lessons of the past.

SITUATIONAL REVIEW

Bill Express Limited has a highly scalable business.
The core ingredients of this highly scalable business are:

PART A: (Business Drivers, CUSTOMER NEEDS)

- Contractual and effective transactional relationships with 350 of the biggest companies in the country. Most have millions of overlapping customers, to whom Bill Express Limited is introduced, providing an opportunity to add new services and products.
- Most, if not all of these companies have a need to create electronic transactions with their customers, to sell products faster and more efficiently and to reduce costs.
- All of these companies, and many with whom Bill Express Limited does not yet deal, need the services that are more or less unique to Bill Express Limited (at this time, in one system).
- Examples include: prepaid products and services, electronic billing (getting bills to customers electronically is dramatically less expensive), electronic payments (getting paid electronically is dramatically less expensive), and building in rewards and promotional systems for new products and services as part of this electronic distribution service.
- The evidence of this is borne out by Bill Express Limited's growth, with revenues approaching $1 billion, a growing client base, a growing prepaid product base, and many projects in the new business funnel.

PART B: (Delivery Capability, NETWORK)

Bill Express Limited's capability is in its multiple functionality, size (scale) and ability to innovate and solve problems. With more than 14,000 sales points and more than two million retail customers per month, Bill Express Limited has a unique and integrated network that can electronically:

- Display and promote products;
- Sell products and manage billing;
- Manage debt;
- Collect payment;
- Manage settlements with thousands of customers and hundreds of suppliers; and
- Deliver rewards.

These functions are all part of one homogeneous and integrated network. Bill Express Limited operates an electronic retailing system, which it provides to retailers and suppliers, enabling them to sell electronic products to their customers. Obviously one cannot put electronic products on a shelf as with physical products. Such products are not visible, cannot be shipped as traditional products, and require a completely different approach.

It is a happy coincidence that the same system that distributes such products can be extended to also bill and collect payment. Since commerce first began, it has always been about "promotion, billing, debt, payment and reward". Bill Express Limited's network design mirrors this simple reality.

PART C: (Recognition of Issues, SOLVING CHALLENGES)

- REALITY: Customers ONLY buy products they know about (electronic products are invisible).
- Prepaid products are part of an electronic revolution as is evidenced by the growth of the business over the last five years.
- Prepaid methodologies will be adopted by other industries (Bill Express Limited has added prepaid music, electricity and travel products in the past year, with more to come).
- In Bill Express Limited 's experience, many of the biggest companies have current projects to consider or adopt "electronic billing" and prepaid methodologies and rewards card systems.
- Bill Express Limited has endeavoured to balance its progression between maturing products (prepaid telephony) and emerging products (music, electricity, gaming, coupons and ticketing) and now has 289 electronic products plus over 360 bill products.
- As a result, Bill Express Limited is marketing over 600 products, in over 14,000 retail stores.
- The aspiration is to be distributing many thousands of electronic products.

The single most challenging aspect is to make electronic products visible, and to promote them in retail stores in which the *Bill* EXPRESS system is installed. Hence intergrated promotions capability and PodTV, XIP Media and mobile phone marketing projects play a strong part in Bill Express Limited 's strategic plan.

Strategic Overview cont'

STRATEGIC PLAN – BROADENING THE INCOME BASE

Bill Express Limited's strategy for meeting and exceeding future requirements is simple:

- To provide these services to suppliers and retailers more effeciently and cheaply than they could do themselves.
- To provide the largest, most extensive multi-function network that can be utilised by suppliers, retailers, billers and consumers. This network is now approaching $1 billion in revenue.
- To promote, distribute and sell more products on this network.
- To provide ways in which all types of consumers can conveniently buy, pay and be rewarded.
- To grow the supplier base and provide suppliers with detailed sales information: including number of sales, sites, states, locations and price with the security and convenience as if it was their own system.
- To enable retailers and suppliers to link to each other and get to know their end-customers (via rewards and card systems).

Consumers benefit through greater access, convenience and cost savings. Merchants benefit through increasing their inventories, increased sales and reduced administration and carrying costs.

Bill Express Limited benefits as a result of the revenue we earn from transactions made via the network.

Stakeholder returns will undoubtedly flow from a network that outperforms competitors and maximises benefits to our partners, merchants and consumers.

Strategic Overview cont'

IMPROVING MARKET UNDERSTANDING OF BILL EXPRESS LIMITED

The network that has been developed across Australia now exceeds 14,000 outlets, as this continues to mature, revenues continue to increase.

Bill Express Limited has two divisions:

Transactions Division:

- Electronic products
- Prepaid products
- *Bill* EXPRESS (payment products, systems and licences)
- Payment and rewards cards (eg, Prepaid Visa)

Media Division:

- Point-of-sale advertising and promotions of its own and third-party products

Bill Express Limited's media division is in its infancy with significant potential for the promotion of Bill Express Limited's own products, suppliers and billers.

To deliver different media content to specific devices anywhere at prescribed times, Bill Express Limited has built what it believes to be a highly advanced media-scheduling systems. All aspects of Bill Express Limited's business form part its media potential.

FIVE YEAR TREND

Bill Express Limited's growth is explained within the following table.

	Y2002	Y2003	Y2004	Y2005	Y2006
	$'000	$'000	$'000	$'000	$'000
Revenue	$3,474	$118,484	$313,649	$475,668	$786,908
EBITDA	$93	$3,201	$8,309	$19,093	$25,067
EBIT	$43	$2,138	$4,697	$11,186	$11,350
NPAT	$43	$2,137	$4,269	$5,602	$6,324
Assets	$6,823	$26,657	$70,380	$113,238	$187,650
Liabilities	$6,780	$24,477	$68,559	$67,454	$124,243
Total Equity	$43	$2,180	$1,821	$45,784	$63,407

CEO's Report
Ian Christiansen

This years Bill Express Limited achieved strong results and further secured its market position by growing the Company's traditional business and developing new products to increase margins going forward.

Bill Express Limited is established as the:

- market leader in the sale and distribution of electronic prepaid products including prepaid mobile telephony / ring tones / iTunes and prepaid electricity;
- premier "in-store" promotional network provider with an "in-store" promotional network of over 4,000 screens across 3,000 plus locations; and
- first company to release a fully functional reloadable Prepaid Visa card product, without a bank account required, which is ideal for Internet and e-commerce payments, extending the Company's direction into the significant growth area of prepaid Visa card payments (these prepaid Visa cards are unique for un-banked people, being reloadable at any *Bill* EXPRESS newsagent).

New capabilities have been developed and established during 2006. The company will continue to consolidate its market position in 2007 and concentrate on expanding its range of products to increase net turnover in 2007, with total revenue for the company expected to approach $1 billion in the 2007 financial year.

market leader

"New capabilities have been developed and established during 2006. The company will continue to consolidate its market position in 2007 and concentrate on expanding its range of products to increase net turnover in 2007, with total revenue for the company expected to approach $1 billion in the 2007 financial year."

Achievements for the year

- Growth of equity and net asset position by $17.7 million to $63.4 million;
- Growth of revenue by 65% to $786 million;
- Integration of Ezipin and PodTV acquisitions into the business;
- Increase in the number of billers on the network to more than 360;
- Increase in the number of products sold through the network to over 300;
- Increased the number of locations vending our products or taking payments to over 14,000;
- Released prepaid electricity load system in Tasmania;
- Released prepaid iTunes (music) nationally;
- The Company has brought to market the bopo card, Australia's first fully functional reloadable Prepaid Visa card; and
- Developed and contracted with publishers for a major magazine gift card release to the newsagent network.

The Company is well positioned with a strong and proven sales platform across major retailers including Caltex, Coles Supermarkets, Coles Express, Kmart, Bi-Lo, Harvey Norman and United Convenience Buyers.

CEO's Report cont'

Where the Company is going

The traditional business of the Company will continue to grow and be strengthened in 2007 by:

- Continued growth of the prepaid product business, strengthened by the organic growth of the prepaid mobile telephony market;
- Continued expansion of licensing and bill payment transactions; and
- Billing system transaction, licence, and media revenue growth. The Company will concentrate its efforts on:
- Expanding the billing system's capabilities, and increasing the number of billers;
- XIP (pronounced Zip) Media division for the sale of media and advertising on the network of over 4,000 screens which are now installed across 3,500 locations, predominantly in newsagents Australia-wide;
- PodTV network, with installations in a leading bank now well advanced, and ongoing opportunities within the Coles network; and
- bopo Prepaid Visa card, with security features for all Internet users, and bopo rewards and loyalty system.

Strategic Investments and Commercial Relationships

Bill Express Limited has formed two significant commercial relationships that will provide further growth:

- Australian Private Networks (APN) provides satellite broadband, particularly to rural Australia. Bill Express Limited provides payments technology to APN and receives a licence fee from each installation that occurs.
- ETT Limited (ETT) provides secure, managed Internet access solutions for the hospitality and leisure industries. Bill Express Limited provides payments technology and has a strategic investment in ETT.

The convergence of the technologies of Bill Express Limited, APN and ETT will see the companies take a joint offering of satellite broadband, managed internet access, and prepaid products and payments to businesses such as roadhouses, caravan parks, motels and cafés.

Strategy

The primary strategy is to converge and consolidate the four key business and product components, which are:

- Electronic promotions (promoting our own products and third-party products);
- Sales and distribution of electronic products, tickets, and coupons;
- Payments (bill payments, bopo payments), including third-party bill payments; and
- Integrated reward systems.

These four fundamental building blocks, which provide the basis for a flexible and integrated 'electronic product sales and distribution system', generate margin from multiple, complementary and like products (on one network efficiently), and include margin from:

- Prepaid sales (high volume, low margin)
- Bill payment transactions (increasing volumes, and better margin than prepaid)*; and
- Media / advertising sales fees (increasing volumes, and better margins than prepaid)

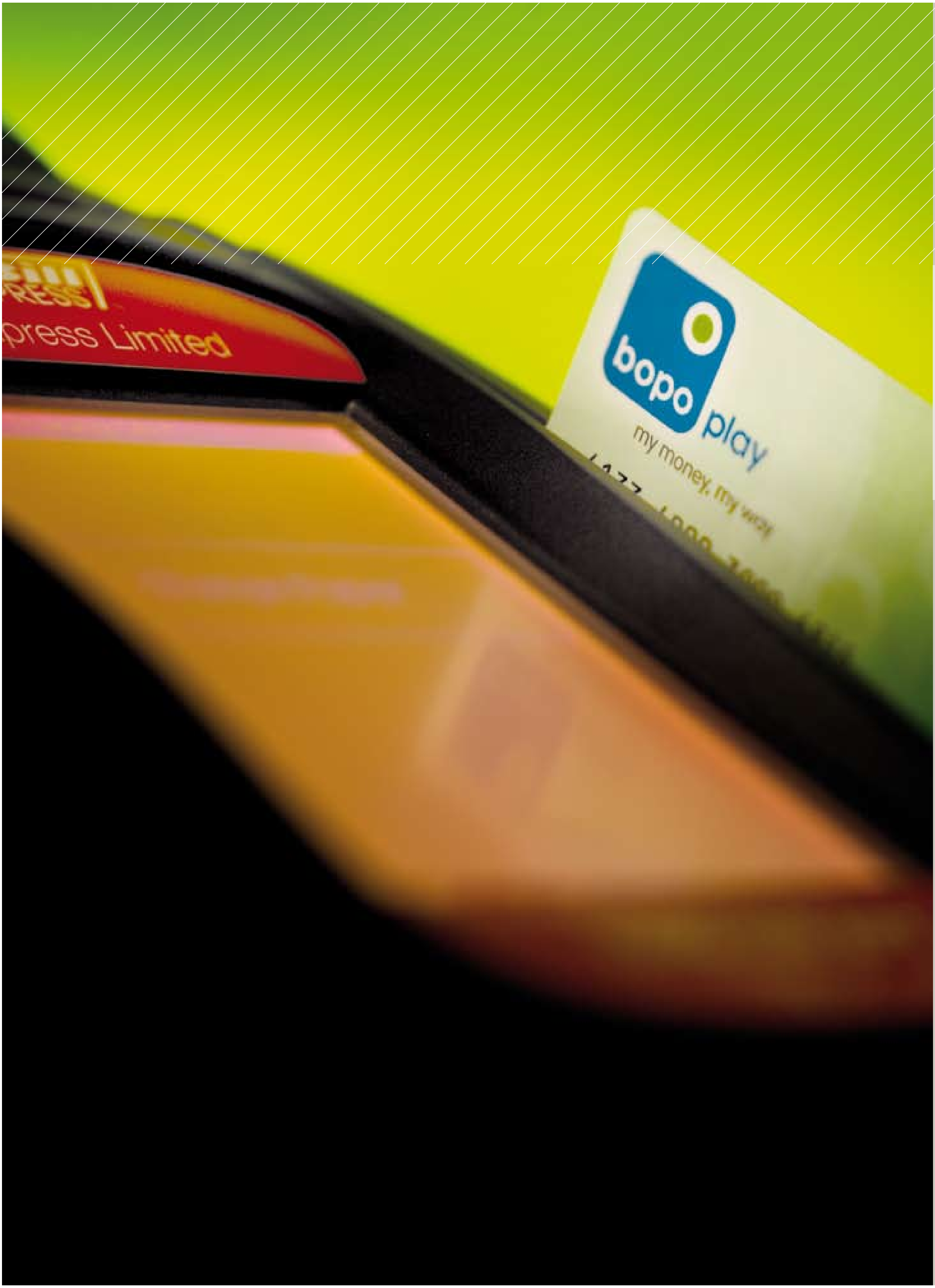
* Payment margins are better than prepaid and management costs are lower.

The prepaid card marketplace in Australia is a greenfield opportunity with major first mover advantage. Bill Express Limited is focused on capitalising on the opportunity through driving acquisition of cardholders. In the USA, the prepaid card market is estimated to grow to $247 billion in 2009, an increase of 300% by today's statistics (Lafferty communications publication, 23 Jan 2006). We expect that Australia will see similar growth patterns to those experienced in the USA.

Bill Express Limited has been a pathfinder in the commercial exploitation of electronic business transactions. This fiscal year and the next is the period in which we will drive and exploit the opportunity for a whole new wave of electronic transactions, as a result of our new business initiatives. On behalf of all Bill Express executive team members, I thank stakeholders for their contributions and support during 2006. Using the foundation laid to date, the Company is positioned to deliver improved value to shareholders during 2007.

Yours sincerely

Ian Christiansen
Chief Executive


bopo
play
my money, my way

bopo

The bopo Prepaid Visa card successfully brings together our prepaid and payments businesses.

bopo (buy online, pay offline):

- Is Australia's first fully functional prepaid Visa card
- Is prepaid and not a credit card
- Can be used like a credit card, without the debt
- Is great for kids, students, casual employees, etc
- Limits risk when buying on the Internet
- Enables users to pay bills, buy music, buy airline tickets, send travel money, pocket money, payroll card for casual staff and much more…
- Can be reloaded at any one of 3,300 *Bill* EXPRESS newsagents nationally
- Money can be sent from one bopo card to another via SMS

bopo

my money, my way

buy online,
pay offline

Why bopo Has a Great Future:

- Ask a 16-year-old how they will pay for music on the Internet
- Ask an 18-year-old student how they will buy an air ticket
- Ask a 21-year-old backpacker how their parents will send them money
- Ask a blue-collar employee what they use for a business expense card
- Ask a business person how they pay casual staff electronically (easily)
- Ask a business how it manages petty cash and travel payments
- Ask a business how it can move funds on and off employee cards
- Ask a mother how she pays pocket money and can observe how it is spent
- Ask a father how he sends money to his teenage son who wants a taxi at midnight
- Ask a school how students pay for school expenses
- Ask a local council how it manages payments for incidentals hardware, etc
- Ask a biller how it can get more people paying electronically
- Ask a website-based company how people without a credit card buy from them
- Ask a real estate agency how it will receive rent payments efficiently
- Ask any kiosk owner how young people can pay using a kiosk
- Ask a business how it will deliver a gift card
- Ask any business how much it costs to manage cash
- Ask a gaming company how it distributes winnings
- Ask a multi-level sales company how it distributes commissions

The answers to these questions are some of the reasons bopo has a brilliant future.

bopo can also be distributed without a bank account, which greatly reduces acquisition costs, and has inherent security features that users can control.

www.bopo.com.au

Bill EXPRESS

Every business and consumer will use electronic bill payment.

Many of the people who buy prepaid products are not wealthy or do not have credit cards. Prepaid and e-products provide them with convenient payment solutions.

Bill Express Limited's bill payment system serves two purposes: it collects payments against its own products, and it earns revenues from the collection of payments for third parties. The relationship created with these large third-party companies opens further prepaid product, Prepaid Visa and reward card opportunities.

payments

Bill Express Limited's bill payment suite includes:

Interactive Voice Recognition (IVR) technology. Consumers are able to make payments via the *Bill* EXPRESS phone payment system technology. Bill Express Limited tailors this technology for all billing partners, meaning their consumers experience both the message and the brand of the company that issued them their bill.

Consumers are able to make payments via secure *Bill* EXPRESS Internet technology.

In person, via a national network of more than 3,300 newsagents and 450 Coles supermarkets. Consumers are able to pay a range of bills such as major utilities, telephone, council rates, road toll accounts, and top-up their prepaid mobile phone or Internet account. Many of these outlets are open seven days a week, 12 to 24 hours a day.

The in-person component of the *Bill* EXPRESS payment service continued to grow over the past 12 months.The retail network now has more than 3,700 sites that accept bill payment, an increase of 630 sites during the year. Growth has begun to slow considerably in this retail space due to the system being close to market saturation: most newsagents are now sustaining a fully operational *Bill* EXPRESS payment and DialTime prepaid system.

The payment capabilities are carried to market under a number of marketing initiatives including cheque2cash, mobileEFT, Campus card and bopo card systems.

www.billexpress.com.au


18/09/06
NO TOTALS FOR PERIOD
EXPRESS
Bill Express Limited
Select Trans Type
EFTPOS
DialTime
BillExpress
Cheque2Cash
CityLink
Extras
MENU
1300 139 677


Terminal ID:
DEMO TERMS
Clerk:
Bill EXPRESS
Bill Express Limited
$30 Optus Mob
$20 Voda Mob
$15 Telstra Plus
$25 Boost Mob
$10 Aussie
$10 Supersaver
$15 Virgin Mob
Main Menu
CANCEL
Support Line
1300 139 677
www.billexpress.com.au

Prepaid

Almost any product can be sold electronically by coupon or voucher.

For example, in the future one can expect that anything from a ticket to ride an elephant through to a coupon to buy a refrigerator can be sold electronically. In practical terms, the electronic products and prepaid products markets are in their infancy. The range of electronic products available now is limited, but growing rapidly.

DialTime

- DialTime is the largest prepaid distribution network in the country, with more than 14,100 retail outlets nationally.
- Almost 300 electronic products are available for purchase and payment via DialTime terminals, including prepaid mobile and long-distance calling cards, game and music vouchers, ring tones and SMS products.

The DialTime business provides the fundamental network of the company allowing for the sales of electronic sales in the form of prepaid telephony recharge, calling card products, gift card products, games and music download vouchers, toll-road access tickets, specialist ring tones and SMS products.

In September 2005, Bill Express Limited finalised the acquisition of prepaid competitor, Ezipin. This takeover cemented DialTime as the leading Australian distributor of prepaid products. In the month of the acquisition, Bill Express Limited achieved record revenue levels and by June 2006 the annual revenue for DialTime grew to $768 million, an increase of 63.5% on a year earlier.

With the addition of iTunes in March 2006, the suite of prepaid products available for purchase is producing revenue of more than $80 million monthly through the sales of prepaid products, which equates to approximately $6,000 worth of sales per site per month.

DialTime

prepaid

www.dialtime.com.au

PodTV and XIP Media

PodTV and XIP Media are at the forefront of the digital media revolution sweeping Australian retail precincts.

The Overview

POD (point of decision) screens provide shoppers with entertainment, carry messages from retailers and give advertisers what is effectively the "last word" to shoppers before they make purchase decisions. Flat LCD screens and other in-store digital technologies deliver targeted communications, resulting in a sophisticated, modern shopping experience that benefits shoppers, retailers and advertisers alike.

PodTV has established itself as the leader in the sector, a position that will strengthen as more Australian retailers discover the benefits of the medium. PodTV uses the communications and payment components of the Bill Express Limited business to offer a broader suite of in-store digital technologies to its clients. These include information and transaction kiosks, prepaid products and services (telephony, ticketing, voucher services etc), wireless hotspots, corporate communications and electronic learning tools and many other interactive screen and SMS-driven services.

As a result, retailers who work with PodTV can now, for example, engage, entertain and inform their customers with a screen network where content is changed several times a day and varied to suit different zones in the store. Customers can update their prepaid mobile phone, access the internet via a branded wireless hotspot, pay bills and perform other financial transactions, and participate in in-store SMS-based competitions and other loyalty programs.

The Business

The PodTV business model provides for a full service approach: from network design, installation, media scheduling, hosting and network operation services, through to content production and media (advertising) sales. The PodTV management team has experts in all these areas. PodTV is conducting projects for Coles Group, Woolworths Liquor (BWS), 3,300 Australian newsagents and as part of the new branch design for ANZ bank, which makes it the most far-reaching digital in-store communication business in Australia today.

The Market

PodTV is leading the development of the Australian retail television industry, as demonstrated by its existing networks and corporate client base.

Similarly to Australia, the international sector is also experiencing strong growth, driven by the emergence of new digital in-store technologies at acceptable capital costs. International retailers driving the industry include Tesco, Wal-Mart, ASDA and Kroger, as well as a broader proliferation of networks in doctors' surgeries, pharmacies, bars and hotels, banks, shopping malls, government offices, gymnasiums, airports and public transport.

pod tv

promotion

www.podtv.com.au

www.xipmedia.com.au

A product line extension of the point of decision category is XIP Media (Point of Purchase screens), which is used exclusively in the *Bill* EXPRESS newsagent outlets. It promotes payment of the *Bill* EXPRESS partner bills through targeted advertisements and displays advertising across multiple categories. These are displayed on its flat LCD screen, positioned near cash registers, with product messages typically running for 6-15 seconds in length. The advertisements promote the bill payment and prepaid products available on the *Bill* EXPRESS system, and run throughout the full operating hours of the business.

A further deployment of larger screens to *Bill* EXPRESS locations now presents revenue opportunities through national and local advertising.

Across *Bill* EXPRESS locations, XIP Media has the capacity to run approximately 12 million advertisements playing between 7am and 7pm daily; 12 million advertisements per day presents a substantial revenue opportunity. Electronic point of decision advertisements run on a targeted basis, which allow national, regional or location-specific messages to be screened solely within exclusive zone segments.


AFL
Bill EXPRESS

Sponsorship

St Kilda (AFL)

Bill Express Limited have just completed the second of a three-year naming rights sponsorship of St Kilda Football Club. The sponsorship confers a number of business opportunities while helping to generate recognition of the *Bill* EXPRESS brand name in the marketplace.

The branding opportunity of the sponsorship is substantial when considering the amount of exposure received during match day, on television, news and sport interest programs, newspapers and sports publications[1]. St Kilda boasts a supporter base of over 350,000[2], has the fifth highest TV ratings compared with the other AFL Clubs.

1 SCMM Report 2006
2 Roy Morgan Research 2004-2005

Canterbury Bulldogs (NRL)

2006 sees out the conclusion of our two-year short sponsorship of the Canterbury Bulldogs Rugby League Club. Over the past two years the *Bill* EXPRESS brand has appeared of the back of players' shorts and training gear. The Canterbury Bulldogs are one of the most popular NRL Clubs.

The association with both of these clubs has helped generate a number of new business opportunities, including introduction of new billers to the *Bill* EXPRESS payment network and an opportunity to work with new bopo program partners.

BULLDOGS

branding

Board of Directors

Peter J McDougall
Executive Chairman

Peter's family company is the principal shareholder of On Q Group Limited, which he listed on the ASX and of which he was the Chairman. He has been a director of On Q Group Limited since 30 July 1999. Peter has had over 30 years of management and entrepreneurial experience. This has included management at Mary Kay Cosmetics; forming and listing Sonic Technology Australia Limited (now Sonic Healthcare Limited), of which he was Chairman and Managing Director until 1993; and founding the now ASX-listed Silex Systems Limited.

Peter McDougall is a member of the Nomination and Remuneration Committee. Peter has been a director since 9 July 2004.

Ian Christiansen
Executive Director and Chief Executive Officer

Ian began business as a retailer in 1984 and co-founded On Q in 1989. He was the General Manager of On Q through its formative years. Ian has developed the internal management team and systems to support the rapid growth of Bill Express. Ian is also a foundation member of Software Engineering Australia. He is the Chief Executive Officer of Bill Express Limited. He is currently a director of On Q Group Limited and has been on that board since 21 March 2001.

Ian Christiansen is a member of the Nomination and Remuneration Committee. He has been a director since 31 July 2000.

Hal Christiansen
B.Bus. Accounting
Executive Director

Hal has been the Managing Director of On Q since its formation and DialTime Pty Ltd before it changed its name to Bill Express Limited. He has been the driving force behind the creation and development of many of the technology-based products. He began business as a service station operator in the petroleum industry in 1984, co-founded On Q in 1989, and is a foundation member of Software Engineering Australia. Hal has been a director of On Q Group Limited since 18 March 2001. Hal has been a director since 21 October 1999.

Julian Little
B.Comm Economics & Politics
Executive Director – Strategic Development

From 1991 Julian operated his own company as the NSW agent for On Q before merging with On Q in 1998. He has been instrumental in the execution of the strategies and commercialisation of the products within DialTime and Bill Express. He is now responsible for Strategic Development. He has been a director since 31 July 2000.

Julian has been a director of On Q Group Limited since 18 March 2001.

Board of Directors' cont'

Dugal McDougall
Non-Executive Director

Dugal has retailing and marketing experience spanning 15 years. In 1996, he was co-founder of Australian Pure Fruits (SA) Pty Ltd, of which he remains a Director. He has also been a Director of On Q Group Limited since 30 July 1999, and has been involved in the growth of the business and its diversification through the acquisition of On Q in 2001.

Tristan Fischer
Non-Executive Director

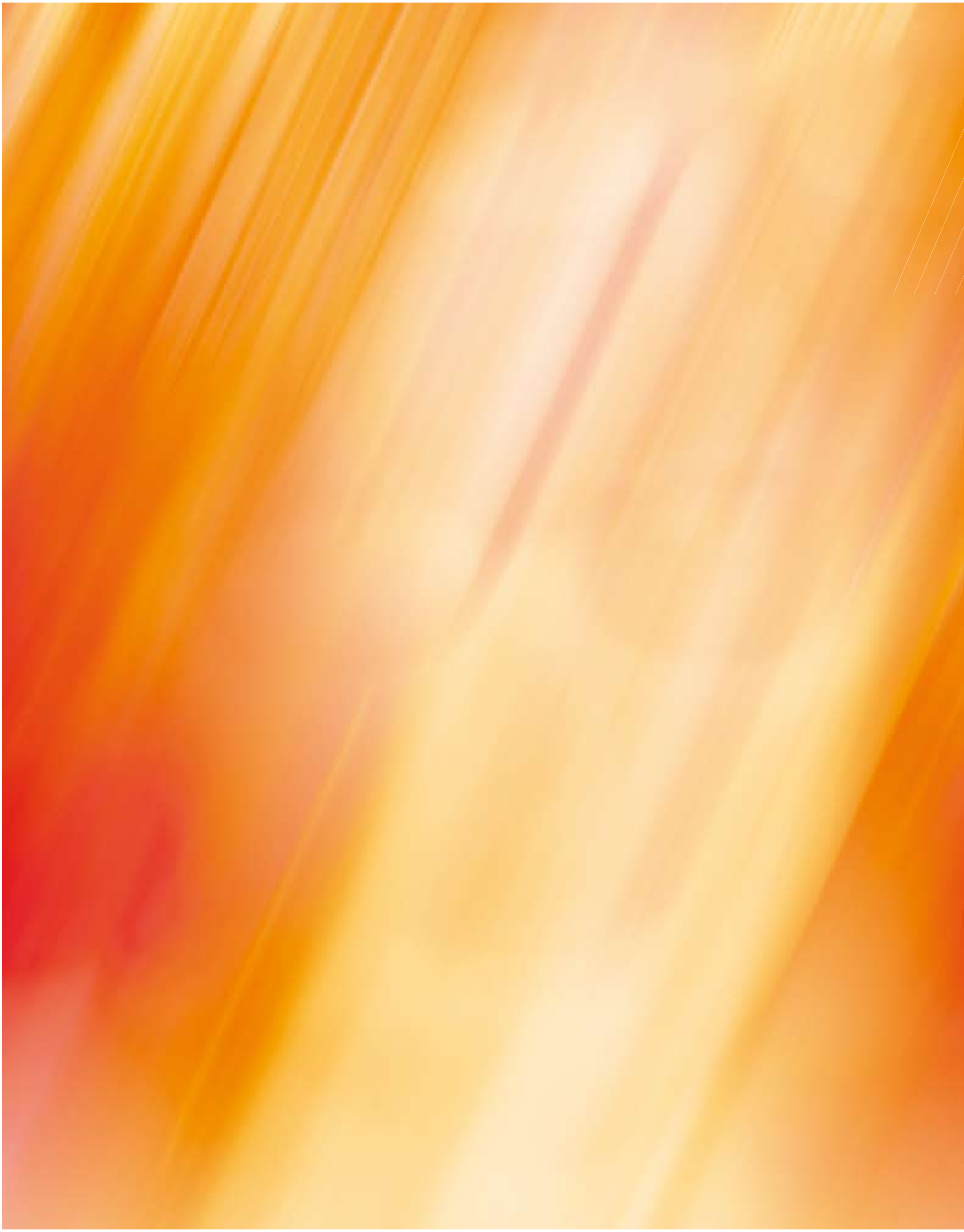
Tristan has marketing experience in beverage sales and distribution. He has several years experience in management of an engineering business. He was the Manager of MON Beverages Pty Ltd, and the Director responsible for the food and beverage division of On Q Limited. He has been a director of On Q Group Limited since 8 July 2003 and resigned in November 2005.

Philip Jones
B.A., LLB
Non-Executive Director

Philip Jones is a solicitor of 19 years' experience and is a long-term senior partner of TressCox, one of the leading law firms servicing the technology industry. His principal areas of practice are dispute resolution and commercial advisory work. He has extensive experience in acting for companies on corporate, commercial and prudential matters and is an adviser to a number of companies in different industries. He is currently Chairman of both the Audit and Nomination and Remuneration Committees. Philip joined the board as a director on 12 November 2004.

Marc Lichtenstein
B.Bus., CA, GAICD
Company Secretary and Chief Financial Officer

Marc was appointed to the position of Company Secretary on 22 November 2004. Prior to his appointment he was a Senior Manager in the audit and assurance division of a prominent chartered accounting practice. Marc has extensive experience providing services to a range of listed public companies and large private companies in a wide range of industries. Marc is a member of the Institute of Chartered Accountants in Australia, the Australian Institute of Company Directors and is also an affiliate of Chartered Secretaries Australia. Marc is currently completing his Graduate Diploma of Applied Corporate Governance (Chartered Secretaries Australia).



05/06

Contents

BILL EXPRESS LIMITED
ABN 74 090 059 564
AND ITS CONTROLLED ENTITIES

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2006

Bill Express Limited

Bill Express Limited and its Controlled Entities

Directors' Report

The directors present their report together with the financial report of Bill Express Limited ("the Company") and of the consolidated entity being the Company and its controlled entities, for the financial year ended 30 June 2006 and independent audit report thereon.

Directors' Meetings

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

Director	Board Meeting		Audit Committee Meetings		Remuneration & Nomination Committee Meeting	
	A	B	A	B	A	B
Peter McDougall	18	18	-	-	4	4
Hal Christiansen	16	18	4	4	-	-
Ian Christiansen	18	18	-	-	4	4
Julian Little	17	18	-	-	-	-
Dugal McDougall	18	18	4	4	-	-
Tristan Fischer	17	18	4	4	4	4
Philip Jones	18	18	4	4	4	4

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

Corporate Governance Statement

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

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The directors are focused on fulfilling their responsibilities individually and as a Board to all of the company stakeholders. That involves the recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Principles of Good Corporate Governance and Best Practice Recommendations" established by the ASX Corporate Governance Council.

Given the size and structure of the company, the nature of its business, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, the company has adopted some modified systems, procedures and practices which it considers allow it to meet the principles of good corporate governance.

In accordance with the ASX Corporate Governance Council's recommendations, the Corporate Governance Statement must now contain specific information, and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why. The Company's corporate governance principles and policies are therefore structured with reference to the Corporate Governance Council's best practice recommendations, which are as follows:

1. Lay solid foundations for management and oversight;
2. Structure the Board to add value;
3. Promote ethical and responsible decision making;
4. Safeguard integrity in financial reporting;
5. Make timely and balanced disclosure;
6. Respect the rights of shareholders;
7. Recognise and manage risk;
8. Encourage enhanced performance;
9. Remunerate fairly and responsibly; and
10. Recognise the legitimate interests of stakeholders.

1. Lay Solid Foundations for Management and Oversight

The Board is responsible for the development of:

- strategy;
- oversight of management;
- risk management and compliance systems; and
- monitoring performance.

The Board has established certain policies and protocols in relation to the Company's operations, some of which are summarised below.

2. Structure the Board to Add Value

None of the seven Directors satisfies the test of independence. Six of the Directors have substantial indirect shareholdings in the company and/or are fulfilling an executive role and/or are associated directly with a substantial shareholder of the company. One of the Directors is associated with a material service provider to the company.

Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that there is a broad mix of skills required and that given their experience each of the directors are aware of and capable of acting in an independent manner and in the best interests of the shareholders.

The Chairman has more than a decade of experience in Chairing public companies and the Board considers that the Chairman is capable of acting independently and is sufficiently experienced to fulfil that role.

The Board of Directors is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the Company on behalf of the Shareholders by whom they are elected and to whom they are responsible. To ensure the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board.

3. Promote Ethical and Responsible Decision Making

The Board has not adopted a code which fully complies with the regulation. However, it has adopted the following principles.

As the Board acts on behalf of and is accountable to the Shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

Trading in the Company's shares and/or options over such shares by Directors and Executives of the Company should only occur in circumstances where the market is considered to be fully informed of the Company's activities. Directors, Executives and Staff are required to discuss their intention to trade in the company's shares with the Chairman of the Company prior to trading. The Board recognises that it is the individual responsibility of each Director and employee to carry this policy through.

Although no formal written policy concerning trading in the company's securities by Directors and Executives has been adopted, there is a clear understanding that the only appropriate time to trade is after an announcement on a fully-informed market.

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. Consequently the Company follows the Code of Conduct established by the Board, which sets out the principles and standards with which all officers and employees are expected to comply in the performance of their respective functions.

All employees and Directors of Bill Express are expected to observe the highest standards of ethics, integrity and behaviour during the course of their employment with the company.

The standards expected include:

- Compliance with Company policies, procedures and contracts;
- Compliance with all reasonable and legal instructions of management; and
- To be honest and fair in dealings with clients, colleagues, Company management and the general public.

Specifically employees and Directors are expected to:

- Act with integrity in the performance of their duties;
- Maintain client confidentiality;
- Exercise proper courtesy consideration and sensitivity in their dealings with clients and colleagues;
- Comply with the provisions of relevant legislation and ethical requirements of their profession;
- Respect the Company's ownership of all Company funds, equipment, supplies, records and property;
- Maintain during employment with the Company and after termination of employment, the confidentiality of any information acquired during the course of the employment with Bill Express;
- Not make any unauthorised statements to the media about the Company's business;
- Refrain from sexual or other unlawful harassment in the workplace; and
- Observe occupational health and safety rules.

4. Safeguard Integrity in Financial Reporting

In accordance with the ASX Corporate Governance Council Best Practice Recommendations, the company requires the Chief Executive Officer and Chief Financial Officer to sign a certificate regarding the financial reports giving a true and fair view and being in accordance with accounting standards. Our directors have considerable experience including:

- Julian Little – Bachelor of Commerce (Economics & Politics);
- Hal Christiansen – Bachelor of Business (Accounting); and

In accordance with Recommendation 4.2 of the ASX Corporate Governance Council Best Practice Recommendations, the Board has delegated the responsibility for the establishment and maintenance of a framework of internal control mechanisms for the management of the Company to the Audit Committee.

The Audit Committee comprises:

- Philip Jones (Chairman)
- Dugal McDougall
- Tristan Fisher
- Ian Christiansen (resigned 22 August 2005 as a result of his appointment to the position of Chief Executive Officer during the year)
- Hal Christiansen (appointed 22 August 2005)

The Audit Committee intends to meet at least 4 times per annum and is responsible for:

- the review of accounting policies;
- the detailed review of the company's annual and half yearly financial reports;
- the effectiveness of accounting and internal control systems;
- addressing the findings of the external audit;
- identifying areas of operation, regulatory and legal risk and recommending procedures to the board to ensure those risks are effectively managed; and
- ensuring that conflicts of interest do not arise from services provided by the company's external advisors.

However, we do not fully comply with the recommendation in that we have a small board. Whilst most of the members of the Committee are currently Non-Executive Directors none of the members are considered to be independent.

The Company has had regard to the independence and expertise of each of its directors, the level of the Company's current operations, the costs of compliance and the effectiveness of previous audits.

The external auditors and Chief Executive Officer are invited to attend Audit Committee meetings at the discretion of the Committee.

The Audit Committee operates under a formal charter approved by the Board. The Audit Committee charter is disclosed below.

The Company does not have a Compliance Committee. The Chairman, Chief Executive Officer and Company Secretary monitor the Company's compliance requirements.

Audit Committee Charter

Purpose
To independently verify and safeguard the integrity of the Company's financial reporting processes to ensure the true and fair presentation of the company's financial position and performance in accordance with accounting standards.

Functions
The primary functions of the Audit Committee are to:

- assist the Board in its oversight of the reliability and integrity of accounting policies and financial reporting and disclosure practices;
- provide advice to the Board on financial statements, due diligence, financial systems integrity and business risks to enable the Board to fulfil its fiduciary and stewardship obligations;
- assist the Board in establishing and maintaining processes to ensure that there is:
  - compliance with all applicable laws, regulations and company policies; and
  - an adequate system of internal control, management of business risks and safeguard of assets;
- ensure the independence and competence of the Company's external audits as required by the Corporations Act.

In addition, the Audit Committee, is responsible for approving all audit engagement fees and programs, as well as all non-audit engagements. The Board has approved operating principles to give effect to the Audit Committee charter.

Relationship with the Board
The Audit Committee reports to the Board following each Audit Committee meeting. The Board will ensure that an annual review of the performance of the Audit Committee is conducted.

The establishment of the Audit Committee does not diminish the responsibilities of the Board with respect to the matters set out in this charter.

Membership
In accordance with corporate governance best practice it is intended that:

- the Audit Committee is comprised of at least 3 members, and all members are non-executive directors who:
  - are independent of Bill Express management and free from any relationship that, in the business judgment of the Board, would interfere with the exercise of their independent judgment as a member of the Audit Committee; and
  - are financially literate (able to read and understand financial statements) and have sufficient financial knowledge, understanding and experience to allow them to discharge their duties and at least one member shall be a qualified accountant or equivalently qualified professional;
- the chairman of the Audit Committee is not the chairman of the board of directors;
- the Chief Executive Officer is not a member of the Audit Committee;
- no director may serve as a member of the Audit Committee if such director serves on the Audit Committees of more than two other public companies;
- Audit Committee members may only receive the following compensation from Bill Express:
  - director's fees (including committee fees), which may be received in cash, shares, superannuation contributions or other in-kind consideration ordinarily available to non executive directors;
  - any other regular benefits that other Bill Express non-executive directors receive.

Appointment, Replacement and Removal
The Board is responsible for appointing members to the Audit Committee. Members are appointed until further notice from the Board.

If an Audit Committee member resigns, is removed, ceases to be a non-executive Director or is otherwise unable to perform his or her duties, the Board may fill the vacancy.

The Board may remove an Audit Committee member by giving at least one month's written notice to that Audit Committee member.

Minutes

Meetings are formally minuted. The chair must ensure that minutes of the Audit Committee meetings are kept and include details of all records, recommendations and actions required. The minutes are available to Audit Committee members and the Board.

Reporting

Reports shall be made to the Board setting out matters relevant to the Audit Committee's role and responsibilities.

The Audit Committee shall provide to the Board the following information in each year to be included in the annual report:

a) full details of Audit Committee meetings;

b) number of meetings and the attendees; and

c) explanations as to any departures from the best practice recommendation for Audit Committees..

Meetings

The Audit Committee intends to meet at least 4 times per year, or more frequently as circumstances require. Board members are entitled to attend Audit Committee meetings. The Audit Committee may meet separately with the Chief Executive Officer, Chief Financial Officer, management, other executives and the auditors, in relation to matters that it wishes to discuss privately. The Audit Committee must, annually, meet separately with the auditors, with and without management present.

Rights to Information and Reports

The Audit Committee members have the right to:

a) receive such reports as they deem necessary to carry out their functions and responsibilities; and

b) seek additional information as is necessary to adequately discharge their obligations.

The Auditors

The Audit Committee has the responsibility for:

- recommending the appointment, and where appropriate, the replacement of the auditors;
- evaluating the auditors; and
- authorising any non-audit engagements of the auditors.

Non-audit engagements

Bill Express Limited will not engage the auditors to perform any of the following non-audit services for Bill Express:

- bookkeeping services and other services related to preparing Bill Express's accounting records or financial statements;
- financial information system design and implementation services;
- appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- actuarial services;
- internal audit services;
- management functions or human resources;
- broker or dealer, investment adviser, or investment banking services; and
- legal services or expert services unrelated to the audit.

Bill Express may only engage the auditors in respect of other non-audit services if:

- the Audit Committee has expressly approved the provision of the non-audit service; and
- the performance of the non-audit service will not cause the total annual revenue to the auditors from non-audit work to exceed the aggregate annual amount of the auditors' audit fees.

The Audit Committee must not approve the provision of a non-audit service by the auditors if the provision of the service would compromise the independence of the auditors.

Rotation of External Audit Engagement Partners

The Audit Committee will recommend, where appropriate, that the External Audit Engagement Partner is rotated on at least a 5 yearly basis.

Assistance

Subject to the Constitution and the Corporations Act, the Audit Committee may select, retain, terminate and approve the fees and other retention terms of special or independent counsel, accountants or other experts, as it deems appropriate, without seeking approval of the Board or management.

5. Make Timely and Balanced Disclosure

The Board and Senior Management are aware of the Continuous Disclosure requirements of the ASX and have procedures in place to disclose any information concerning the Company that a reasonable person would expect to have a material effect on the price of the company's securities.

The Chief Executive Officer, Chairman and Company Secretary are authorised to make statements and representations on the Company's behalf. The Company Secretary is responsible for overseeing and coordinating the disclosure of information to the ASX, analysts, stockbrokers, shareholders, the media and the public.

The Company also publishes on its website the Company's annual report, profit announcements, notices of meetings, media releases and any other information that relates to the performance and activities of the Company.

The Company is committed to giving all shareholders comprehensive and equal access to information about our activities and to fulfilling its continuous disclosure requirements to the wider market.

6. Respect the Rights of Shareholders

The Board aims to ensure that all shareholders are informed of major developments affecting the affairs of the Company. Information is communicated to the shareholders through the annual and half year reports, disclosures made to the ASX, notices of meetings and occasional letters to shareholders where appropriate.

The auditor is invited to attend each Annual General Meeting of the Company and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. The Chairman ensures that appropriate time is allocated to the auditor at the Annual General Meeting to answer all shareholder questions.

7. Recognise and Manage Risk

The Board has procedures in place to recognise, assess and manage risk in accordance with the Principles of Good Corporate Governance and Best Practice Recommendations. The Board takes a proactive approach to risk management. The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis. The Company's objectives and activities are aligned with the risks and opportunities identified. The Board believes that it is crucial for all Board members to be a part of this process and as such the Board has not established a separate Risk Management Committee.

The Chief Executive Officer and Chief Financial Officer state to the Board, in writing, that the statement given in accordance with the best practice recommendation regarding the integrity of financial statements is founded on a system of risk management and internal compliance and control that implements the policies adopted by the Board. The statement provided by Chief Executive Officer and Chief Financial Officer includes a comment that the risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

8. Encourage Enhanced Performance

The performance of the Board and key executives is reviewed regularly.
The Board is responsible for determining and reviewing the remuneration and performance of the Directors, the Managing Director and the Executive Officers of the Company and reviewing the operation of the Company's Employee Option Plan. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating, and retaining executives with the skills to manage the Company's operations. Accordingly the Board has established a Nomination and Remuneration Committee to focus on the performance of the Directors and key executives within the organisation.

The Charter of this Committee is attached below.

9. Remunerate Fairly and Responsibly

It is the Company's objective to provide maximum shareholder benefit from the retention of high quality Board members and Executives. The Board has established the Nomination and Remuneration Committee to ensure that Directors and Senior Executives are remunerated fairly and responsibly. Directors and Executives are remunerated with reference to market rates for comparable positions.

The Nomination and Remuneration Committee comprises:

- Philip Jones (Chairman)
- Peter McDougall
- Ian Christiansen
- Tristan Fischer

Nomination and Remuneration Committee Charter

Functions

The primary functions of the Nomination and Remuneration Committee are to advise the Board on matters regarding:

- The composition and remuneration of the Board;
- Assessment of the necessary and desirable competencies of Board Members;
- Evaluation of the Board's Performance;
- Making recommendations for the appointment and removal of directors;
- Appointment and remuneration of the Chief Executive Officer;
- The performance of the Chief Executive Officer;
- Succession plans for the position of Chief Executive Officer;
- Remuneration of Senior Executives; and
- Bill Express remuneration strategies and practices generally

The Committee also exercises the administrative powers delegated to it by the Board under Bill Express' share and option plans and, in certain circumstances, make offers to employees under those plans.

The Board has approved operating principles that further detail the role and responsibilities of the Committee.

Membership

The Committee is comprised of at least three members including the Chairman of the Board and all members are expected to be independent non-executive directors in future periods.

Meetings

The Committee intends to meet at least twice a year or more frequently as required.

The Committee may request any Bill Express employee to attend any meeting as it considers appropriate. However, if an employee has a material personal interest in a matter that is being considered at a meeting, he/she must not be present for consideration of that matter.

Assistance

The Committee has the right to seek the assistance of appropriate external advisers that it considers necessary in order for it to fulfil its duties.

10. Recognise the Legitimate Interests of Stakeholders

The Board recognises the legitimate interests of shareholders, employees and other stakeholders.

Bill Express Limited is committed to protecting the environment and safeguarding public and employee health in all aspects of its operations. Environmental protection and safe conduct are the responsibility of Bill Express Limited, its employees, its alliance partners and suppliers of goods and services. Specifically, the Company will comply with the intent and provision of all applicable laws, regulations and standards.

The Board recognises the need for Directors and employees to observe the highest standards of behavior and business ethics when engaging in corporate activity. Consequently the Company follows the Code of Conduct established by the Board, which sets out the principles and standards with which all officers and employees are expected to comply in the performance of their respective functions.

Principal Activities

The principal activities of the consolidated entity during the financial year were:

- The management and development of an electronic distribution system for pre-paid products and services across in excess of 14,000 locations around Australia, automated ordering, delivery and inventory control for pre-paid services including mobile, landline and internet services;
- Processing payments for bills and services including bills that are presented for payment to Bill Express outlets across Australia; and
- In-store media which is a network that promotes Bill Express Limited's and other products at the point of sale and in-store aisles.

There have been no other significant changes in the nature of the consolidated entity's activities during the financial year.

Operating and financial review

Overview of the consolidated entity

The consolidated net profit after income tax attributable to the members of Bill Express Limited was $6.32 million (2005: $5.60 million). The inecrease is mainly due to the impact of the acquisition of Ezipin Group Limited. The impact of this loss from Pod TV Pty Ltd has been offset by the growth of the prepaid services, bill payment businesses and the revenue generated by the media division.

Review of Operations

The financial year of 2005/2006 has been a year of rapid growth and significant developments within the consolidated entity, with annual turnover increasing from $475.7 million to $786.9 million, an increase of 65.4%. The revenue growth has been driven by the increase in revenue generated by the pre-paid services area of the business. The acquisition of the Ezipin Group on 16 September 2005 has assisted in contributing to this revenue growth.

The Directors are pleased to announce a consolidated net profit from ordinary activities before income tax expense of $8.09 million, which is a decrease of 3.3% on last year's reported profit of $8.36 million.

In February 2001, the predecessor group of companies to what is now known as Bill Express Limited was acquired by the then named Australia Pure Fruits Limited. Australian Pure Fruits Limited changed its name to On Q Group Limited on 7 December 2005. On Q Technologies Pty Ltd, a subsidiary of On Q Group Limited is a technology business that has developed an Electronic Business Management System (EBMS) that is capable of being modified to many different business applications. On Q Group Limited has granted a perpetual licence to Bill Express Limited to use the EBMS in its business operations. After its listing in October 2004, Bill Express is required to pay a royalty fee to On Q Group Limited for the use of the EBMS software. The royalty fees for 2005/2006 financial year were $1,244,434 (2005: $587,455) which is based on a fixed 0.16% of total Bill Express revenue.

Bill Express Limited has used the EBMS to develop an electronic sales, distribution, and payment systems network. Bill Express Limited products and services include a bill-payment service, competitive to that of Australia Post, in a variety of outlets across Australia, under the banner Bill Express. This network is currently second only to Australia Post in the number of outlets for bill payments.

At 30 June 2006, the company had 3,717 (30/6/05: 3,087) Bill Express trading sites located around the country. At 30 June 2006, Bill Express had contracted 364 (30/6/05: 214) billers to use the network as a payment solution. This is an increase of 150 billers during the year or a 70% increase. The intention is to have approximately 400 contracted billers using the system by 31 December 2006.

Bill Express Limited also operates one of Australia's widest prepaid electronic sales networks, under the banner DialTime, with 14,168 (30/6/05: 9,027) locations across Australia at 30 June 2006. Bill Express and DialTime outlets are located in various supermarket chains, newsagents, department stores and other retail outlets that offer extended trading hours. The depth and type of outlays allows Bill Express to offer a more flexible in-person prepaid product and bill payment service to consumers. Following the Ezipin acquisition Bill Express has in excess of 14,000 general prepaid sites in its network. The Ezipin acquisition added approximately 3,700 sites to the network.

On 5 July 2005 the company entered into an agreement to acquire 50.5% of Pod TV Pty Ltd. At that time the Company owned 49.5% of the issued shares in Pod TV Pty Ltd. Pod TV is a leading Australian developer of digital in-store retail television networks. Pod TV is currently undertaking projects for a number of major Australian organisations.

On 11 October 2005 the company received ISO 9001:2000 certification. Bill Express Limited now complies with the requirements of ISO 9001:2000 Quality Management Systems. The registration covers the Quality Management System for the sale, build, delivery, installation and support of the e-commerce bill payment solution "Bill Express".

During the period the Company entered into an agreement with ETT Limited to provide licence, management and hosting services to ETT over a 3 year period. The Company received 256,689,301 ordinary shares or 44.1% of the shares in ETT. These shares were valued at $5.13 million on 4 May 2006 which is the date the shares were issued to the Company.

Strategy and future performance

The announced acquisition of Ezipin Group Limited has enhanced the Bill Express network adding in excess of 3,700 sites to the network and increasing revenue on an annualised basis by approximately $170 million.

The Company announced the launch of Australia's first reloadable prepaid Visa card on 24 July 2006. The bopo card is available to the public via the bopo website and will be available at selected retail outlets. The bopo card has all the functionality of a credit card, but is prepaid. bopo cardholders can top up at any of the 3,700 plus Bill Express newsagent locations. There is no need for the cardholder to have a linked bank account. This makes the bopo card ideal for use by anyone unable or unwilling to use a credit card.

The bopo card is issued under an agreement with Cuscal Limited, a leading supplier of wholesale financial services to credit unions and other customers. Bill Express will promote, distribute and manage the operation of the bopo card. Cuscal Limited will act as the card issuer. The Company will be focusing on the distribution and development of this product in conjunction with a number of third parties over the coming year.

During the 2007 financial year the company will pursue a new direction in the media division with the launch of XIP Media. This new strategy will see the product mix of the company continue to evolve to further increase revenues to add to the traditional revenue base.

Bill Express Limited is an Australian operating entity with high growth projects already in the business development pipeline. Further information about the business strategies of the consolidated entity and its prospects for the future have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Review of financial condition

Capital structure and treasury policy
The debt to equity ratio (total liabilities to total equity) as at 30 June 2006 increased from 1.47 at 30 June 2005 to 1.96.

Liquidity and funding
Borrowings increased by $9.453 million, due primarily to the increase in the financing facility.

Cash flows from operations
The cash flow from operations of the consolidated entity continues to improve as a result of the continued growth and profitability of the business.

Significant Changes in the State of Affairs
During the year the company acquired the following entities:

- Ezipin Group Limited on 16 September 2005;
- Ezipin Australia Pty Limited on 16 September 2005;
- Pod TV Pty Ltd on 5 July 2005; and
- Public Media Pty Ltd on 5 July 2005.

On 5 July 2005, Bill Express Limited entered into an agreement to acquire the balance of the shares not owned by the Company in Pod TV Pty Ltd, an unlisted private company that is in the in-store media industry. This transaction was completed and settled subject to Bill Express shareholder approval at the annual general meeting, on 11 November 2005.

On 3 June 2005, Bill Express Limited entered into a heads of agreement to acquire Ezipin Group Limited, an unlisted public company that is in a similar industry to Bill Express. This transaction was completed and settled on 16 September 2005.

There were no other significant changes in the nature of the activities of the consolidated entity during the year..

Dividend Paid, Recommended and Declared
No dividends were paid, declared or recommended since the start of the financial year.

After Balance Date Events
Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Likely Developments

The consolidated entity will continue to pursue its expansion of the Bill Express bill payment service. Growth will come from existing products maturing, new sites and new products being added to the network.

At the date of this report, there have been several developments in the operations of the consolidated entity that are likely to be finalised in the next year. These include:

- The development of the Pod TV and XIP Media businesses; and
- bopo Visa card integration.

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

Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory, however the Company has instigated an environmental code of practice as part of the Company's corporate governance practices

Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the consolidated entity and other related bodies corporate, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	BILL EXPRESS LIMITED	
	Ordinary Shares*	Options over ordinary shares*
Peter McDougall	150,550,000	43,750,000
Hal Christiansen	150,700,000	43,750,000
Ian Christiansen	150,726,430	43,750,000
Julian Little	150,848,000	43,750,000
Dugal McDougall	150,550,000	43,750,000
Tristan Fisher	25,000	-
Philip Jones	-	-

*The company and the ultimate holding company have common directors. The ultimate holding company holds 150,000,000 shares and 43,750,000 options over shares in the company. Accordingly, these holdings are reflected against the interest of each of the company directors.

Share Options

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

Officer	Number of options granted	Exercise price	Vesting Date	Expiry date
Marc Lichtenstein	684,500	25 cents	14 October 2007	30 June 2010

All options were granted during the financial year. No options have been granted since the end of the financial year. All options expire on the earlier of their expiry date or termination of the employee's employment.

Further details regarding options granted as remuneration are provided in the Remuneration Report below.

Unissued ordinary shares of Bill Express Limited under option at the date of this report are as follows:

Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
61,200,000	25 cents	30 June 2009
1,059,500	25 cents	30 June 2010

No option holder has any right under the options to participate in any other share issue of the company or any other body corporate.

On 15 February 2005, the company announced the issue of up to 14,000,000 options to be used to provide incentives to key staff and executive management. Of this balance 1,059,500 options have been issued as recorded above.

Since the end of the financial year, 600,000 options at 25 cents were issued due to a milestone being reached as part of an asset purchase agreement.

Shares Issued On Exercise of Options

During or since the end of the financial year, Bill Express Limited issued ordinary shares as a result of the exercise of options. There are no amounts unpaid on shares issued on exercise of options. The options were converted on 22 September 2005 as follows.

Number of shares	Amount paid on each share
15,000,000	25 cents

Indemnification and Insurance of Directors, Officers and Auditors:

The company, to the extent permitted by law, indemnifies each Director, alternate Director, or executive officer (and any person who has previously served in any such capacity) against any liability or cost incurred by the person as an officer of the Company, or a related body corporate of the Company, including but not limited to liability for costs incurred in defending proceedings in which judgment is given in favour of the person or in which the person is acquitted. The indemnity may be extended to other employees at the discretion of the Directors. Further disclosures (required under section 300 of the Corporations Act 2001) are prohibited under the terms of the contract. Furthermore, the directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of directors' and officers' liability and expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

Proceedings on Behalf of the Consolidated Entity

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

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

Non-Audit Services
Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of directors. Non-audit services provided by the auditors of the consolidated entity during the year by the auditors of the company, Pitcher Partners, are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of the amounts paid or payable to the auditor of the Company, Pitcher Partners, and its related practices for audit and non-audit services provided during the year are:

	2006 $	2005 $
Audit and review of financial reports	290,683	140,000
Other services	96,844	65,693
The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2006:		
Taxation services	96,844	

Remuneration Report

Principles of compensation
The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and senior executives. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration of directors and executives is referred to as compensation as defined in AASB 124.

Compensation levels for key management personnel and the secretary of the Company and relevant key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Nomination and Remuneration Committee obtains independent advice on the appropriateness of compensation packages of both the Company and consolidated group given trends in comparative companies and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segments' performance;
- the consolidated entity's performance including:
  - the consolidated entity's earnings;
  - the growth in share price and delivering constant returns on shareholder wealth; and
- the amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed and variable compensation and short- and long-term performance-based incentives.

In addition to their salaries, the consolidated entity also provides non-cash benefits to its key management personnel, and contributes to post-employment superannuation plans on their behalf.

Fixed remuneration

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

Compensation levels are reviewed annually by the Nomination and Remuneration Committee through a process that considers individual, segment and overall performance of the consolidated entity. In addition external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Performance-linked remuneration

Performance-linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an "at risk" bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of Bill Express Limited under the rules of the Employee Share Option Plan.

Short-term incentive bonus

Each year the Nomination and Remuneration Committee sets the KPI's (key performance indicators) for the key management personnel. The KPI's generally include measures relating to the consolidated entity, the relevant segment and the individual, and include financial, people, customer and strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPI's of the consolidated entity and to its strategy and performance.

The financial performance objectives are "profit after tax" and "return on capital employed" compared to budgeted amounts. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, customer satisfaction and staff development.

At the end of the financial year, the Nomination and Remuneration Committee assess the actual performance of the consolidated entity, the relevant segment and individual against the KPI's set at the beginning of the financial year. A bonus is paid based on this predetermined performance. No bonus is awarded where performance falls below the minimum requirements.

The Nomination and Remuneration Committee recommends the cash incentive to be paid to the individuals for approval by the board. The method of assessment was chosen as it provides the committee with an objective assessment of the individual's performance.

In addition to any bonuses paid at the discretion of the Nomination and Remuneration Committees' recommendations as part of their service agreements the Executive Directors are entitled to receive cash bonus for the Company achieving Net Profit After Tax (NPAT) as follows;

a) In year 1 (2005), a bonus which triggers at $6.5m NPAT in the sum of 15% of base salary stepping up at various levels of NPAT up to a maximum of 200% of base salary for NPAT of $20m;

b) In year 2 (2006), a bonus which triggers at $8m NPAT in the sum of 15% of base salary stepping up at various levels of NPAT up to a maximum of 175% of base salary for NPAT of $25m; and

c) In year 3 (2007), a bonus which triggers at $8m NPAT in the sum of 15% of base salary stepping up at various levels of NPAT up to a maximum of 200% of base salary for NPAT of $30m.

The bonuses payable in accordance with the service agreements apply for the financial years ending 30 June 2005, 2006 and 2007.

Long-term incentive

Options are issued under the Employee Share Option Plan and it provides for key management personnel to receive options over ordinary shares for no consideration.

The ability to exercise the options is conditional on the consolidated entity achieving certain performance hurdles. The performance hurdles comprise the consolidated company reaching and exceeding its budgeted profit forecast. The method of assessment was chosen as it provides the Nomination and Remuneration Committee with an objective means of measuring the consolidated entity's performance against its expected performance.

Short-term and long-term incentive structure

The Nomination and Remuneration Committee considers that the above performance-linked compensation structure is generating the desired outcome. The evidence for this is firstly, the growth in profits in recent years, and secondly, the performance-linked element of the structure appears to be appropriate because most but not all of the key management personnel achieve a level of performance which qualifies them for a bonus and options.

Consequences of performance on shareholders wealth

In considering the consolidated entity's performance and benefits for shareholders wealth, the Nomination and Remuneration Committee have regard to the following indices in respect of the current financial year and the previous four financial years:

	2006 $'000's	2005 $'000's	2004 $'000's	2003 $'000's	2002 $'000's
Net profit attributable to equity holders of the parent	6,324	5,602	4,269	2,136	43

Net profit is considered as one of the financial performance targets in setting the short term incentives. Net profit amounts for years 2002 to 2005 were calculated in accordance with previous Australian GAAP. Net profit amount for 2006 has been calculated in accordance with Australian equivalents to IFRS (AIFRS). For impact on net profit of transition to AIFRS see Note 36 to financial statements. Dividends, changes in share price, and return of capital are included in the total shareholder return calculation which is one of the performance criteria assessed for the long term incentive. The other performance criteria assessed for the long term incentive is growth in earnings per share, which again takes into account the consolidated entity's net profit.

The overall level of key management personnel's compensation takes into account the performance of the consolidated entity over a number of years.

Service contracts

It is the consolidated entity's policy that service contracts for executive directors are limited to 36 month terms unless the parties agree to an extension of the term. The Company Secretary's contract is unlimited in term but capable of termination on 3 months notice and the consolidated entity retains the right to terminate the contract immediately, by making payment equal to 3 months' pay in lieu of notice.

The consolidated entity has entered into service contracts with each key management person that provides for the payment of benefits where the contract is terminated by the consolidated entity or the individual. The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contracts outlines the components of compensation paid to the key management personnel. The service contracts of the key management personnel prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

Non-executive directors

Total compensation for all non-executive directors, last voted upon by shareholders at the Annual General Meeting, is not to exceed $250,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees are presently up to $40,000 per annum.

The Chairperson presently receives a base fee up to $50,000. Non-executive directors do not receive performance related remuneration. Directors' fees cover all main board activities and membership of committees. Non-executive director members who sit on more than one committee do not receive any additional payment. Non-executive directors receive fees and do not receive options or bonus payments.

The company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for directors by resolution. Further details regarding components of directors' and executive remuneration are provided in the notes to the financial statements.

The majority of directors currently hold substantial interests in On Q Group Limited, the parent entity of Bill Express Limited, and therefore wish to maximize the operating results of On Q Group Limited and its Controlled Entities. In line with this desire, minimal cash remuneration was previously provided to some of the executive directors.

The names and positions of each person who held the position of director at any time during the financial year are provided above. The named executives in the consolidated group who received the highest remuneration for the financial year were:

Executives	Position
Peter McDougall	Executive Chairman
Ian Christiansen	Chief Executive Officer
Hal Christiansen	Executive Director
Julian Little	Executive Director – Strategic Development
Marc Lichtenstein	Company Secretary and Chief Financial Officer

There were no other executives in the consolidated group that met the definition of an executive in accordance with the Corporations Act 2001 or the Australian Accounting Standards.

Directors' Remuneration

	Short-term			Post employ-ment	Other long term	Termin-ation benefits	Share based payments	TOTAL
2006	Salary & fees $	STI Cash bonus $	Non-monetary benefits $	Super-annuation benefits $	benefits $	$	Options $	$
Peter McDougall	116,154	-	-	6,179	-	-	-	122,333
Hal Christiansen	37,500	-	-	-	-	-	-	37,500
Ian Christiansen	190,962	-	-	13,811	-	-	-	204,773
Julian Little	193,364	-	-	13,811	-	-	-	207,175
Dugal McDougall	37,500	-	-	-	-	-	-	37,500
Tristan Fischer	37,500	-	-	-	-	-	-	37,500
Philip Jones	37,500	-	-	-	-	-	-	37,500
	650,480	-	-	33,801	-	-	-	684,281
2005								
Peter McDougall	26,667	-	-	-	-	-	-	26,667
Hal Christiansen	20,000	-	-	-	-	-	-	20,000
Ian Christiansen	20,000	-	-	-	-	-	-	20,000
Julian Little	20,000	-	-	-	-	-	-	20,000
Dugal McDougall	20,000	-	-	-	-	-	-	20,000
Tristan Fischer	20,000	-	-	-	-	-	-	20,000
Philip Jones	17,500	-	-	-	-	-	-	17,500
	144,167	-	-	-	-	-	-	144,167

Executives' Remuneration

	Short-term			Post employment	Other long term	Termination benefits	Share based payments	TOTAL
Marc Lichtenstein	Salary & fees $	STI Cash bonus $	Non-monetary benefits $	Superannuation benefits $	benefits $	$	Options $	$
2006	171,585	-	12,901	13,600	-	-	26,277	224,363
2005	104,470	-	-	9,376	-	-	9,000	122,846

* The options have been valued by adopting the Black Scholes valuation model and are allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

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

Grant Date	Expiry Date	Fair Value Per Option	Exercise Price	Price of Shares on Grant Date	Estimated Volatility	Risk Free Interest Rate	Dividend Yield
27 June 2005	30 June 2010	2.4 cents	25 cents	23 cents	27%	5%	nil
14 October 2005	30 June 2010	10.82 cents	25 cents	28 cents	27%	5%	nil

There were no other key management personnel employed by the company in the 2005 or 2006 financial year.

In accordance with the remuneration policy described above, options granted as remuneration are subject to continuing service with the company. Options granted as remuneration are valued at grant date in accordance with AASB 2 Share-based Payments. No options previously granted as remuneration have lapsed or been exercised during the year.

	Proportion of remuneration performance related		Value of options as proportion of remuneration	
	2006	2005	2006	2005
Peter McDougall	-	-	-	-
Hal Christiansen	-	-	-	-
Ian Christiansen	-	-	-	-
Julian Little	-	-	-	-
Dugal McDougall	-	-	-	-
Tristan Fischer	-	-	-	-
Philip Jones	-	-	-	-
Marc Lichtenstein	-	10%	11.7%	7.4%

Details of performance related remuneration

Details of the consolidated entity's policy in relation to the proportion of remuneration that is performance related is discussed above.

Analysis of bonuses included in remuneration

During the period there have been no short-term incentive cash bonuses awarded as remuneration to each director of the Company and each of the five named Company executives and relevant group executives.

Equity instruments

All options refer to options over ordinary shares of Bill Express Limited, which are exercisable on a one-for-one basis under the Employee Share Option Plan.

Options and rights over equity instruments granted as compensation.

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that were vested during the reporting period are as follows:

Executive	Number of options granted during 2006	Grant Date	Number of options vested during 2006	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry Date
Marc Lichtenstein	684,500	14 October 2005	-	10.82 cents	25 cents	30 June 2010

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable anytime after two years from grant date. In addition to a continuing employment service condition, there are no other performance hurdles that are required to be met for the options to be exercised. The options were only issued as a result of the company meeting and or exceeding its targeted profit for the financial year ending 30 June 2005. For options granted in the current year, the earliest exercise date is 14 October 2007.

Further details, including grant dates and exercise dates regarding options granted to executives under the Employee Share Option Plan are in the Employee Benefits Note in the financial statements.

During the reporting period there were no options issued as compensation to any key management personnel that have lapsed or been forfeited.

Exercise of options granted as compensation

During the reporting period there were no shares issued as a result of the exercise of options previously granted as compensation.

Rounding of Amounts

The amounts contained in the report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100 dated 10 July 1998. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

Ian Christiansen

Ian Christiansen
Director

Melbourne 29 September 2006

PITCHER PARTNERS

Auditor's Independence Declaration

To the directors of Bill Express Limited

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

- No contraventions of the auditor independence requirements of the Corporations Act 2001; and
- No contraventions of any applicable code of professional conduct.

Pitcher Partners

Stephen Schonberg
Partner
Melbourne 2 October 2006

Income Statement
For The Year Ended 30 June 2006

	Note	Consolidated		The Company	
		2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
Revenue	2	786,908	475,668	783,174	475,239
Changes in inventories of finished goods and work in progress		9,986	(2,320)	9,980	(2,320)
Raw materials and consumables used		(754,274)	(445,590)	(753,653)	(445,590)
Employee benefits expense	3	(2,483)	(454)	(1,611)	(446)
Depreciation and amortisation expenses	3	(13,717)	(7,907)	(13,533)	(7,907)
Finance costs	3	(3,258)	(2,831)	(3,200)	(2,831)
Other expenses		(15,070)	(7,917)	(13,894)	(7,778)
Share of net losses of associates	11	-	(294)	-	-
Profit before income tax expenses	3	8,092	8,355	7,263	8,367
Income tax expense	4	(1,768)	(2,753)	(1,521)	(2,792)
Profit from continuing operations		6,324	5,602	5,742	5,575
Profit attributable to the members of the parent		6,324	5,602	5,742	5,575
Earnings per share					
Basic (cents per share)	24	1.64	2.14		
Diluted (cents per share)	24	1.41	1.71		

The accompanying notes form part of these financial statements.

Balance Sheet As At 30 June 2006

	Note	Consolidated		The Company	
		2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	6	6,811	12,730	6,311	12,555
Trade and other receivables	7	72,174	38,043	75,121	38,911
Inventories	8	15,385	5,399	15,379	5,399
Other assets	9	1,297	843	1,237	818
TOTAL CURRENT ASSETS		95,667	57,015	98,048	57,683
NON-CURRENT ASSETS					
Deferred tax assets	10	1,289	1,941	1,201	1,853
Investments accounted for using the equity method	11	-	548	-	-
Investments	12	5,148	198	5,149	198
Plant and equipment	13	53,266	41,057	53,094	41,057
Intangible assets	14	31,897	12,479	28,064	12,479
Other assets	9	383	-	383	-
TOTAL NON-CURRENT ASSETS		91,983	56,223	87,891	55,587
TOTAL ASSETS		187,650	113,238	185,939	113,270
CURRENT LIABILITIES					
Trade and other payables	15	83,933	40,459	82,788	40,388
Interest-bearing loans and borrowings	16	1,312	1,190	1,282	1,190
Current tax liabilities	17	675	2,331	675	2,331
Employee benefits	18	460	22	403	22
Other liabilities	19	541	-	541	-
TOTAL CURRENT LIABILITIES		86,921	44,002	85,689	43,931
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	16	32,359	23,028	32,359	23,028
Deferred tax liabilities	10	3,850	424	3,850	424
Employee benefits	18	121	-	121	-
Other liabilities	19	992	-	992	-
TOTAL NON-CURRENT LIABILITIES		37,322	23,452	37,322	23,452
TOTAL LIABILITIES		124,243	67,454	123,011	67,383
NET ASSETS		63,407	45,784	62,928	45,887
EQUITY					
Issued capital	20	49,625	38,352	49,625	38,352
Retained earnings	21	13,747	7,423	13,268	7,526
Share option reserve	22	35	9	35	9
TOTAL EQUITY		63,407	45,784	62,928	45,887

The accompanying notes form part of these financial statements.

Statement of Cash Flows For The Year Ended 30 June 2006

	Note	Consolidated		The Company	
		2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		769,034	475,307	764,559	475,336
Payments to suppliers and employees		(734,638)	(492,713)	(727,792)	(492,385)
Interest received		386	410	374	405
Borrowing costs		(3,050)	(2,423)	(2,988)	(2,423)
Net cash provided by/(used in) operating activities	23 (a)	31,732	(19,419)	34,153	(19,067)
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sale of plant and equipment		-	1,272	-	1,272
Acquisition of investments		(4,932)	(240)	(7,674)	(80)
Acquisition of plant and equipment	13	(22,780)	(13,846)	(22,790)	(13,846)
Development expenditure		(4,890)	(6,520)	(4,890)	(6,520)
Acquisition of intangibles		(745)	-	-	-
Net cash used in investing activities		(33,347)	(19,334)	(35,354)	(19,174)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from the issue of share capital		2,589	40,600	2,589	40,600
Capital raising costs		(179)	(3,212)	(179)	(3,212)
Proceeds from borrowings		31,613	6,045	31,613	6,045
Repayment of borrowings		(21,000)	(105)	(21,000)	(105)
Payment of finance lease liabilities		(1,415)	(1,097)	(1,384)	(1,097)
Payment of hire purchase liabilities		(50)	-	(17)	-
Receipts from ultimate holding company		-	6,799	-	6,799
Payments to ultimate holding company		(2,052)	(11,599)	(2,063)	(11,599)
Advances to controlled entities		-	-	(609)	(605)
Receipts from controlled entities		-	-	8	-
Advances to other entities		(22,786)	-	(22,370)	-
Receipts from other entities		8,976	3,956	8,369	4,089
Net cash (used in) / provided by financing activities		(4,304)	41,387	(5,043)	40,915
Net (decrease)/increase in cash and cash equivalents		(5,919)	2,634	(6,244)	2,674
Cash and cash equivalents at beginning of year		12,730	10,096	12,555	9,881
Cash and cash equivalents at end of year	23 (b)	6,811	12,730	6,311	12,555

The accompanying notes form part of these financial statements.

Statement Of Changes In Equity Attributable To Equity Holders Of The Parent For The Year Ended 30 June 2006

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
Total equity at the beginning of the year	45,784	1,821	45,887	1,951
Employee share options	26	9	26	9
Net income recognised directly in equity	26	9	26	9
Profit for the year	6,324	5,602	5,742	5,575
Total recognised income and expense for the year	6,350	5,611	5,768	5,584
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity net of transaction costs	11,273	38,352	11,273	38,352
	11,273	38,352	11,273	38,352
Total equity at the end of the financial year	63,407	45,784	62,928	45,887

The accompanying notes form part of these financial statements.

Notes To The Consolidated Financial Statements For The Year Ended 30 June 2006

Note 1: Summary Of Significant Accounting Policies

Bill Express Limited is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2006 comprise the Company and its subsidiaries (together referred to as the 'consolidated entity') and the consolidated entity's interest in associates and jointly controlled entities.

The financial report was authorised for issue by the directors on 29 September 2006.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP. The financial reports of the consolidated entity and the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the first annual financial report of Bill Express Ltd prepared in accordance with Australian Equivalents of International Financial Reporting Standards (AIFRS). The financial reports of Bill Express Ltd were prepared in accordance with the previous Australian Generally Accepted Accounting Principles (AGAAP) until 30 June 2005. There are certain differences between accounting policies under AIFRS and AGAAP and where applicable the comparative figures have been restated to reflect these adjustments. A summary of the significant accounting policies under AIFRS is provided below. Reconciliations of equity and operating profit/loss between AGAAP and AIFRS are provided under note 36.

(b) Basis of Presentation

The financial report is presented in Australian dollars.

The financial report has been prepared on an accruals basis and is based on historical cost convention as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

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

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

The accounting policies have been applied consistently by all entities in the consolidated entity.

(c) Principles of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exits when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

When a subsidiary makes a new issue of capital and the consolidated entity's percentage ownership changes, the share of retained profits and reserves is attributed to the Company and outside equity interest reflecting the new ownership interest. The adjustment is not reflected in net profit but as a direct adjustment to the specific equity accounts.

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

Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements includes the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

In the Company's financial statements, investments in associates are carried at cost.

Transactions eliminated on consolidation

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

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates or, if not consumed or sold by the associate, when the consolidated entity's interest in such entities is disposed of.

(d) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is recognised on sale of telecommunications products at the value invoiced to retail resellers based upon the substance of the transaction entailing full credit risk to the entity. Such revenue is recognised at the time the products are sold by the retail reseller.

Rendering of Services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest

Interest revenue is recognised on a proportional basis taking into account the effective yield applicable to the financial assets.

Dividends
Revenue from dividends and distribution from controlled entities are recognised by the parent entity when they are declared by the controlled entities.

Revenue from dividends from other investments are recognised when received.

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

Rental income
Rental income from terminals is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Software licensing income
Up front non-refundable fees for the right to utilise software and technology, where the economic entity has no ongoing contractual obligations are recognised fully in the income statement upon contractual commitment occurring. Software licensing fees where the licensee has the right to use the software and technology over a specified period of time is recognised in the income statement on a straight line basis over the agreed term of service provision.

Access Fees
Fees for the right to access the economic entities electronic network systems are recognised fully in the income statement upon the contractual commitment occurring.

Hosting Fees
Up front non-refundable fees for the right to system hosting services, where the entity has no ongoing contractual obligations are recognised fully in the income statement upon contractual commitment occurring. System hosting fees applicable to a specified period of time are recognised in the income statement on a straight line basis over the agreed term of service provision.

Sale of non-current assets
The gain or loss on sale of non-current assets are included as income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

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

(e) Expenses
Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs
Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and dividend income. Borrowing costs are expensed as incurred and included in net financing costs.

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

(f) Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(g) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

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

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Bill Express Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(h) Accounting estimates and judgements

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

Estimated impairment of intangible assets

Intangible assets, including goodwill, development costs, trademarks, licences and technology, and capitalised expenses are allocated to cash generating units ("CGU") according to applicable business operations. These calculations are based on projected cash flows approved by management covering a period not exceeding 5 years. Managements' determination of cash flow projections and gross margins are based on past performance and its expectations for the future. The present value of future cash flows have been calculated using a discount rate of 16% - 20% to determine value-in-use.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(j) Trade and other receivable

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (o)).

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of electronic warehousing inventories is based on first-in-first-out principle.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(l) Plant and equipment

Owned assets

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (o)).

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

Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised, recording at the inception of the lease an asset and liability equal to the present value of the minimum lease payments, and disclosed as plant and equipment under lease.

Subsequent costs

The consolidated entity recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation
The depreciable amount of all fixed assets including capitalised leased assets are depreciated on both a straight line and a diminishing value basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

The estimated useful lives in the current and comparative periods are as follows:

• Computer equipment	2½ – 5 years	Diminishing Value
• Furniture, fixtures and fittings	10 years	Diminishing Value
• Capitalised leased assets	5 years	Straight Line

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually. When changes are made adjustments are reflected prospectively in current and future periods only.

(m) Intangible assets
Goodwill on consolidation
All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see accounting policy (o)).

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

Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (o)).

Other intangible assets
Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (o))

Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation
Intangible assets are amortised from the date they are available for use. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

The estimated useful lives in the current and comparative periods are as follows:

- Capitalised development cost 3 – 7 years (2005: 3 – 5 years)

(n) Investments
Investments in debt and equity securities
Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Other financial instruments held by the consolidated entity are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognised by the consolidated entity on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognised / derecognised on the day they are transferred to / by the consolidated entity.

Investments in unlisted securities

Investments on other unlisted entities are measured at the lower of cost and recoverable amount.

Investments in associates

Investments in unlisted shares of associates are carried in the Company's financial statements at the lower of cost and recoverable amount.

(o) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy (k) and deferred tax assets (see accounting policy (g)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 16% - 20% that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Derecognising of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the consolidated entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the consolidated entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

(p) Trade and other payables

Trade and other payables are stated at their fair value at inception.
Trade payables are non-interest bearing and are normally settled on 60-day terms.

(q) Interest bearing borrowings

Current accounting policy

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Comparative period policy

All loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in note 16. Interest is charged as an expense as it accrues.

(r) Share capital

Ordinary share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

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

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

(s) Employee benefits

Long-term service benefits
The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the National Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

Wages, salaries, annual leave and non-monetary benefits
Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

Share-based payment transactions
The share option programme allows consolidated entity employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Profit sharing and bonus plans
The company operates a profit sharing and bonus plan. A liability is recognised for profit sharing and bonus plans, including benefits based on the future value of equity instruments and benefits under plans allowing the consolidated entity to settle in either cash or shares.

(t) Provisions
A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the consolidated entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(u) Segment reporting
A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(v) Earnings per share
Basic EPS is calculated as net profit attributable to members divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members divided by the weighted average number of ordinary shares and options issued yet to be exercised at balance date, adjusted for any bonus element.

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

Note 2: Revenue

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
Sale of goods	768,914	470,185	768,914	469,877
Service fee	7,177	4,213	5,390	4,213
Interest	1,381	782	1,369	777
Licence / hosting / access fees	8,534	-	6,134	-
Other revenue	902	471	1,367	355
Net gain on disposal of plant and equipment	-	17	-	17
Total revenue	786,908	475,668	783,174	475,239

Note 3: Profit from Continuing Operations

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
Profit from continuing operation before income tax expense has been determined after:				
(a) Expenses:				
Cost of Sales	744,288	447,910	743,673	447,910
Finance costs				
- other persons	3,258	2,831	3,200	2,831
Depreciation of non-current assets				
- furniture, fixtures and fittings	62	10	14	10
- computer equipment	10,918	5,705	10,915	5,705
Total depreciation	10,980	5,715	10,929	5,715
Amortisation of non current assets:				
- capitalised leased assets	768	149	768	149
- research and development	1,658	2,043	1,658	2,043
- other intangibles assets	311	-	178	-
Total amortisation	2,737	2,192	2,604	2,192
Total depreciation and amortisation	13,717	7,907	13,533	7,907
Bad and doubtful debts:				
- bad debts written off - trade debtors	380	42	380	42
- movement in provisions for doubtful debts – trade debtors	225	50	196	50

	Note	Consolidated		The Company	
		2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
Net expense of bad and doubtful debts		605	92	576	92
Employee benefit expenses:					
- wages and salaries		1,632	396	893	388
- employee entitlements expense including movements in provision for employee entitlements		559	14	502	14
- superannuation		178	35	112	35
- share based payments		26	9	26	9
- other costs		88	-	78	-
		2,483	454	1,611	446
Rental expense on operating leases					
- minimum lease payments		13	7	13	7
(b) Significant Expenses					

The following significant expense item is relevant in explaining the financial performance:

Adjustment to prior year accrual estimate	*	(797)	(2,398)	(797)	(2,398)

* - This amount is a net gain recognised during the period.

Note 4: Income Tax

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
(a) Recognised in the income statement				
Current tax expenses				
Current year	498	2,206	270	2,157
Over provision in prior year	(307)	-	(307)	-
Income tax impact of deconsolidation from exiting tax consolidated group	(732)	1,100	(732)	1,100
	(541)	3,306	(769)	3,257
Deferred tax expenses				
Origination and reversal of temporary differences	2,309	(264)	2,290	(264)
Income tax expenses reflected in head entity of tax consolidated group	-	(201)	-	(201)
Benefit of tax losses recognised	-	(88)	-	-
	2,309	(553)	2,290	(465)
Total income tax expenses in income statement	1,768	2,753	1,521	2,792
(b) Numerical reconciliation between tax expense and pre-tax net profit				
Profit before tax	8,092	8,355	7,263	8,367
Income tax using the domestic corporation tax rate of 30% (2005: 30%)	2,428	2,507	2,179	2,510
Increase in income tax due to:				
Income tax expense/(benefit) arising on exit from a tax consolidated group	(732)	1,100	(732)	1,100
Correction of prior year deferred tax	735	-	738	-
Non-deductible expenses	11	26	10	26
Decrease in income tax due to:				
Income tax expense reflected in the head entity of former tax consolidated group	-	(201)	-	(201)
Recognition of deferred tax assets and liabilities on exiting tax consolidated group	-	(609)	-	(609)
Concessional R&D deduction	(367)	-	(367)	-
Other deductible expenses	-	(70)	-	(34)
	2,075	2,753	1,828	2,792
Under / (over) provided in prior year	(307)	-	(307)	-
Income tax expense on pre-tax net profit	1,768	2,753	1,521	2,792
(c) Deferred income tax related to items credit directly to equity				
Tax savings on equity raising cost	77	193	77	193

Note 5: Dividends

No dividends have been paid or proposed for ordinary shares during the current year and comparative year.

Dividend franking account	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
30 per cent franking credits available to shareholders of Bill Express Limited for subsequent financial years	675	2,331	675	2,333

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

a) franking credits that will arise from the payment of the current tax liabilities;

b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;

c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and

d) franking credits that the entity may be prevented from distributing in subsequent years.

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

Note 6: Cash and Cash Equivalents

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
Bank balances	4,311	10,730	3,811	10,555
Deposits	2,500	2,000	2,500	2,000
	6,811	12,730	6,311	12,555

Note 7: Trade and Other Receivables

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
CURRENT				
Trade debtors	31,447	17,391	30,546	17,391
Less provision for doubtful debts	(600)	(375)	(571)	(375)
	30,847	17,016	29,975	17,016
Other debtors	30,050	12,880	29,353	12,668
Amounts receivable from:				
- controlled entities	-	-	4,496	1,080
- associate company	-	428	-	428
- ultimate parent entity and its subsidiaries	11,277	7,719	11,297	7,719
	72,174	38,043	75,121	38,911

Other debtors includes advances made in respect to equipment purchases.

Note 8: Inventories

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
Electronic equipment inventory at cost	1,595	2,203	1,589	2,203
Electronic warehousing inventory at cost	13,790	3,196	13,790	3,196
	15,385	5,399	15,379	5,399

Note 9: Other Assets

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
CURRENT				
Prepayments	1,297	843	1,237	818
NON CURRENT				
Prepayments	383	-	383	-

Note 10: Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Consolidated						
Plant and equipment	-	-	(1,198)	(424)	(1,198)	(424)
Intangible assets	-	613	(2,670)	-	(2,670)	613
Finance lease liabilities	(272)	(150)	-	-	(272)	(150)
Employee benefits	174	5	-	-	174	5
Provisions	215	21	-	-	215	21
Capital raising cost	624	755	-	-	624	755
Recognition of deferred tax liabilities on tax consolidated group	-	609	-	-	-	609
Tax value of loss carry-forwards	88	88	-	-	88	88
Other items	460	-	18	-	478	-
Net tax assets / (liabilities)	1,289	1,941	(3,850)	(424)	(2,561)	1,517
The Company						
Plant and equipment	-	-	(1,198)	(424)	(1,198)	(424)
Intangible assets	-	613	(2,625)	-	(2,625)	613
Finance lease liabilities	(272)	(150)	-	-	(272)	(150)
Employee benefits	157	5	-	-	157	5
Provisions	205	21	-	-	205	21
Capital raising cost	624	755	-	-	624	755
Recognition of deferred tax liabilities on tax consolidated group	27	609	(45)	-	(18)	609
Other items	460		18		478	-
Net tax assets / (liabilities)	1,201	1,853	(3,850)	(424)	(2,649)	1,429

Note 11: Investments Accounted For Using The Equity Method

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
NON CURRENT				
Investments in associated companies	-	548	-	-

	Balance Date	Ownership interest held by Consolidated entity	
Interest In Associate		2006 $'000's	2005 $'000's
Pod TV Pty Ltd	30 June	100%	49.5%
(i) Principle activity			
In-store point of sale advertising			
(ii) Share of associate's losses			
- operating losses before income tax		-	(294)
- operating losses after income tax		-	(294)
(iii) Carrying amount of investment in associate			
- at the beginning of the financial year		-	682
- investment during the financial year		-	160
- share of net losses for the financial year		-	(294)
- at the end of the financial year		-	548
(iv) Share of associate's assets and liabilities			
Current assets		-	99
Non-current assets		-	187
Current liabilities		-	(217)
Net Assets		-	69
(v) Retained profits of the consolidated entity attributable to the associate			
Share of associate's net losses		-	(294)
Balance at the end of the financial year		-	(294)

Note 12: Investments

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
NON-CURRENT				
Unlisted investments at cost	14	14	14	14
Capitalised acquisition costs	-	184	-	184
Listed shares at current market value	5,134	-	5,134	-
Investment in controlled entities at cost	-	-	1	*
	5,148	198	5,149	198

* amount less than $500

Listed shares at current market value totalling $5.134 million relates to shares held in ETT Limited, a company listed on the Australian Stock Exchange. These shares were issued by ETT Limited to Bill Express Limited in consideration for various services to be provided by Bill Express Limited, including software procurement licences, software hosting services and consulting fees. As at 30 June 2006, $3.6 million has been recognised as revenue and $1.5 million has been recorded as unearned revenue. The audit report issued on 28 July 2006 in respect of the financial report of ETT Limited for the year ending 31 March 2006 contains an emphasis of matter regarding inherent uncertainty as to the ability of the ETT Limited consolidated entity to continue as a going concern and pay its debts as and when they fall due. Accordingly, there is inherent uncertainty associated with the current value of this investment as the current market price of these shares are unlikely to be realised should ETT Limited cease to operate as a going concern.

Bill Express Limited holds 44.1% of the ordinary shares in ETT Limited. Bill Express Limited does not have the ability to significantly influence the financial and operating decision making process of ETT Limited due to Bill Express Limited providing a standing proxy until 31 March 2007 in respect of its ETT Limited shareholding to the Chairman of ETT Limited, effectively waiving its rights to vote these shares.

Note 13: Plant and Equipment

	Consolidated				The Company			
	Computer equipment $'000	Furniture, fixtures and fittings $'000	Capitalised leased assets $'000	Total $'000	Computer equipment $'000	Furniture, fixtures and fittings $'000	Capitalised leased assets $'000	Total $'000
Cost								
Balance at 1 July 2004	26,311	125	-	26,436	26,287	125	-	26,412
Acquisitions	19,762	-	3,842	23,604	19,762	-	3,842	23,604
Disposals	(1,297)	-	-	(1,297)	(1,273)	-	-	(1,273)
Balance at 30 June 2005	44,776	125	3,842	48,743	44,776	125	3,842	48,743
Balance at 1 July 2005	44,776	125	3,842	48,743	44,776	125	3,842	48,743
Transfers (note 26)	1,047	192	-	1,239	945	-	-	945
Other acquisitions	22,867	8	-	22,875	22,789	-	-	22,789
Balance at 30 June 2006	68,690	325	3,842	72,857	68,510	125	3,842	72,477
Depreciation								
Balance at 1 July 2004	1,817	23	-	1,840	1,816	23	-	1,839
Depreciation for the year	5,705	10	149	5,864	5,705	10	149	5,864
Disposal	(18)	-	-	(18)	(17)	-	-	(17)
Balance at 30 June 2005	7,504	33	149	7,686	7,504	33	149	7,686
Balance at 1 July 2005	7,504	33	149	7,686	7,504	33	149	7,686
Transfers (note 26)	101	56	-	157	-	-	-	-
Depreciation for the year	10,918	62	768	11,748	10,915	14	768	11,697
Balance at 30 June 2006	18,523	151	917	19,591	18,419	47	917	19,383
Carrying amounts								
At 30 June 2005	37,272	92	3,693	41,057	37,272	92	3,693	41,057
At 30 June 2006	50,167	174	2,925	53,266	50,091	78	2,925	53,094

Note 14: Intangible Assets

	Consolidated					The Company			
	Development costs $'000	Trade marks, licenses and technology at cost $'000	Capitalised expenses $'000	Goodwill $'000	Total $'000	Development costs $'000	Trade marks, licenses and technology at cost $'000	Goodwill $'000	Total $'000
Cost									
Balance at 1 July 2004	10,215	-	-	-	10,215	10,215	-	-	10,215
Acquisitions- internally developed	6,520	670	-	-	7,190	6,520	670	-	7,190
Balance at 30 June 2005	16,735	670	-	-	17,405	16,735	670	-	17,405
Balance at 1 July 2005	16,735	670	-	-	17,405	16,735	670	-	17,405
Acquisitions- through business combinations (note 26)	-	389	5	15,136	15,530	-	-	12,156	12,156
Acquisitions- internally developed	4,890	-	-	-	4,890	4,890	-	-	4,890
Other acquisitions	-	375	746	-	1,121	-	375	-	375
Balance at 30 June 2006	21,625	1,434	751	15,136	38,946	21,625	1,045	12,156	34,826
Amortisation									
Balance at 1 July 2004	2,883	-	-	-	2,883	2,883	-	-	2,883
Amortisation for the year	2,043	-	-	-	2,043	2,043	-	-	2,043
Balance at 30 June 2005	4,926	-	-	-	4,926	4,926	-	-	4,926
Balance at 1 July 2005	4,926	-	-	-	4,926	4,926	-	-	4,926
Acquisitions- through business combinations (note 26)	-	151	3	-	154	-	-	-	-
Amortisation for the year	1,658	310	1	-	1,969	1,658	178	-	1,836
Balance at 30 June 2006	6,584	461	4	-	7,049	6,584	178	-	6,762
Carrying amounts									
At 30 June 2005	11,809	670	-	-	12,479	11,809	670	-	12,479
At 30 June 2006	15,041	973	747	15,136	31,897	15,041	867	12,156	28,064

Note 15: Trade and Other Payables

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
CURRENT				
Unsecured liabilities				
Trade creditors	82,673	39,495	81,833	39,466
Sundry creditors and accruals	1,260	964	947	922
Loans from controlled entities	-	-	8	-
	83,933	40,459	82,788	40,388

Note 16: Interest Bearing Liabilities

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
CURRENT				
Secured liabilities				
Finance lease liability	1,273	1,175	1,273	1,175
Hire purchase liability	39	15	9	15
	1,312	1,190	1,282	1,190

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
NON-CURRENT				
Secured liabilities				
Bank loans	31,613	21,000	31,613	21,000
Finance lease liability	746	2,019	746	2,019
Hire purchase liability	-	9	-	9
	32,359	23,028	32,359	23,028

Note 17: Tax Liabilities

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
CURRENT	675	2,331	675	2,331
Income Tax	675	2,331	675	2,331

The current tax liability for the consolidated entity and for the Company represents the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability (asset) initially recognised by the members in the tax-consolidated group.

The prior year income tax liability has been reduced by $2.154 million in the current year as a result of certain prior year expenditure now being capable of substantiation of deductibility under current income tax legislation.

Note 18: Employee Benefits

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
CURRENT				
Employee benefits	460	22	403	22
NON-CURRENT				
Employee benefits	121	-	121	-
Aggregate employee benefits liability	581	22	524	22
Employees at year end	24	9	15	9

Note 19: Other Liabilities

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
CURRENT				
Un-earned revenue	541	-	541	-
NON CURRENT				
Un-earned revenue	992	-	992	-

Note 20: Issued Capital

	Note	Consolidated		The Company	
		2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
397,761,820 (2005:349,888,889) fully paid ordinary shares	20(a)	49,625	38,352	49,625	38,352
(a) Ordinary shares					
At the beginning of reporting period		38,352	-	38,352	-
Shares issued during the year					
- 32,872,932 shares issued as a result of a private placement (2005:182,500,000 shares*)		7,702	6,500	7,702	6,500
- 167,388,889 shares issued as a result of a public placement		-	34,100	-	34,100
- 15,000,000 shares issued as a result of options exercised		3,750	-	3,750	-
- transaction costs relating to share issues		(179)	(2,248)	(179)	(2,248)
At reporting date		49,625	38,352	49,625	38,352

*- includes 150,000,000 ordinary shares issued to parent for no consideration on 23 July 2004.

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

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

(b) Options

(i) For information relating to share options issued to employees during the financial year, refer to Note 27.

(ii) In July 2004, 75,000,000 options were granted to the holders of ordinary shares to accept ordinary shares at an exercise price of 25 cents. The options are exercisable on or before 30 June 2009.

In August 2005, a further 600,000 options were issued to Newsagents Solutions to accept ordinary shares at an exercise price of 25 cents. The options are exercisable on or before 30 June 2009.

(iii) in September 2005, 15,000,000 options were exercised by the parent entity.

Note 21: Retained Earnings

	Note	Consolidated		The Company	
		2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
Retained profits at the beginning of the financial year		7,423	1,821	7,526	1,951
Net profit attributable to members of the entity		6,324	5,602	5,742	5,575
Dividends provided for or paid		-	-	-	-
Retained profits at reporting date		13,747	7,423	13,268	7,526

Note 22: Option Reserve

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
Balance at the beginning of the financial year	9	-	9	-
Current year provision	26	9	26	9
Balance at the reporting date	35	9	35	9

(a) On 27 June 2005 and 14 October 2005, 375,000 and 684,500 share options were issued to key executives respectively.

The options are exercisable at a price of 25 cents on or before 30 June 2010. At reporting date, these options have not been exercised. Refer to Note 27 for further information.

Note 23: Cash Flow Information

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
(a) Reconciliation of the net profit after tax to the net cash flows from operations				
Net profit	6,324	5,602	5,742	5,575
Non-Cash Items				
Depreciation of non-current assets	10,980	5,715	10,929	5,715
Amortisation of non-current assets	2,737	2,192	2,604	2,192
Lease / Hire purchase charges reclassified as financing	207	210	212	210
Bad and doubtful debts expenses	225	50	196	50
Non-cash payment - royalties	1,590	-	1,590	-
Share of associates' net losses	-	294	-	-
Non-cash receipt -interest	(994)	-	(994)	-
Profit on sale of fixed assets	-	(17)	-	(17)
Other non-cash items	(779)	-	(265)	-
Profit on sale of investments	-	(115)	-	(115)
Non-cash receipt -licence fees	(5,134)	-	(5,134)	-
Options issued for no consideration	26	9	26	9

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
Interest revenue outstanding	-	(371)	-	(371)
Interest expense outstanding	-	204	-	204
Income tax benefits transferred within tax consolidated group	-	-	(247)	-
Income tax adjustment on exiting tax consolidation group	(732)	1,100	(732)	1,100
Changes in assets and liabilities				
(Increase) in trade receivables	(12,307)	(21,178)	(13,155)	(21,020)
(Increase)/decrease in inventory	(8,696)	2,320	(9,980)	2,320
(Increase) in prepayments/other receivables	(3,560)	(18,761)	(3,486)	(17,965)
Increase/(decrease) in trade and other creditors	37,330	142	42,389	(139)
Increase/(Decrease) in other provisions	2,423	3,170	2,423	3,170
Increase in employee entitlements	559	15	502	15
Increase in deferred income	1,533	-	1,533	-
Net cash inflow/(outflow) from operating activities	31,732	(19,419)	34,153	(19,067)
(b) Reconciliation of Cash				
Cash balance comprises:				
- Cash at bank	4,311	10,730	3,811	10,555
- Deposits	2,500	2,000	2,500	2,000
Closing cash balance	6,811	12,730	6,311	12,555

(c) Non Cash Financing and Investing Activities

During the year, the economic entity undertook the following non cash transactions:

i. Acquisition of plant and equipment with an aggregate value of $95,727 (2005: $3,841,711) which has been lease financed.

ii. Fixed asset acquisition totalling $nil (2005: $5,690,025) settled against amounts owing to the supplier.

iii. Purchase of intellectual property valued at $125,000 (2005:$nil) from a third party.

iv. Sale of intellectual property valued at $nil (2005:$5,586,973) to a subsidiary of the ultimate holding company.

v. Acquisition of software licence totalling $200,000 (2005: $nil) settled by the issue of parent entity shares.

vi. Investment in controlled entities totalling $7,377,000 (2005: $nil) settled by the issue of parent entity shares.

vii. Other investments totalling $5,133,787 (2005: $nil) settled by the issue of shares by the investee company.

(d) Financing facility

The consolidated entity and the Company has a variable interest facilities available to the extent of $83,050,000 (2005:$25,000,000). As at 30 June 2006 the consolidated entity and the Company have used $31,614,503 (2005:$21,000,000) of the facility.

Note 24: Earnings Per Share

	Note	Consolidated	
		2006 $'000's	2005 $'000's
(a) Reconciliation of Earnings to Net Profit or Loss			
Net profit		6,324	6,566
Earnings used in the calculation of basic EPS		6,324	6,566
Earnings used in the calculation of dilutive EPS		6,324	6,566
		'000	'000
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		384,876	261,575
Weighted average number of options outstanding	24(c)	64,854	66,269
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS		449,730	327,844
(c) Classification of Securities			

The options have been classified as potential ordinary shares and are included in determination of dilutive EPS.

Note 25: Commitments & Contingencies

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
(i) Operating lease (non-cancellable)				
Minimum lease payments				
-Less than one year	21	10	2	10
-Between one and five years	35	2	-	2
	56	12	2	12
(ii) Finance leases				
Minimum lease payments				
- Less than one year	1,385	1,385	1,385	1,385
- Between one and five years	770	2,155	770	2,155
	2,155	3,540	2,155	3,540
Less future finance charges	(136)	(346)	(136)	(346)
Total Lease Liability	2,019	3,194	2,019	3,194

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
(iii) Hire purchase agreements				
Minimum hire purchase payments				
- Less than one year	42	17	9	17
- Between one and five years	-	9	-	9
	42	26	9	26
Less future finance charges	(3)	(2)	*	(2)
Total Hire Purchase Liability	39	24	9	24

*- less than $500

The consolidated entity currently leases a motor vehicle under a non-cancellable operating lease expiring in less than 5 years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

(b) Contingent liabilities
The company sponsors the St Kilda Football Club and the Bulldogs Rugby League Club. The arrangement includes additional incentive payments should the clubs progress to the finals. The contracts include provisions that prevent disclosures of the details of the arrangement to the public.

Note 26: Acquisition and Disposal of Subsidiaries

Acquisition

During the financial year the company acquired the Ezipin Group Pty Ltd (Ezipin), the balance of the shares in Pod TV Pty Ltd and invested in Bopo Cards (Australia) Pty Ltd and Public Media Pty Ltd.

Ezipin operated the management and development of automated ordering, delivery and inventory control for prepaid mobile, landline and internet services via outlets across Australia.

The acquisitions included the following transactions:

Name	Date acquired	Consolidated entity's interest	Consideration $'000	Contribution to consolidated net profit/(loss) $'000	Contribution to consolidated revenue $'000
Pod TV Pty Ltd	5 July 2005	100%	$2,440	($1,162)	$1,440
Public Media Pty Ltd	5 July 2005	100%	*	(a)	(a)
Bopo Cards (Australia) Pty Ltd	8 July 2005	100%	*	($82)	$5
Ezipin Group Limited and Ezipin Australia Pty Ltd	16 September 2005	100%	$12,674	(b)	(b)

*- less than $500

(a) No material revenue or profit contribution was made by the company which Bill Express Limited gained control of during the year ended 30 June 2006.

(b) The revenue or profit contribution from Ezipin Group Limited and Ezipin Australia Pty Ltd can not be determined as these entities have been fully integrated into Bill Express Limited's operations from the date of acquisition.

Effect of Acquisitions

The Ezipin acquisition had the following effect on the consolidated entities assets and liabilities:

	Recognised Values $'000's
Property plant & equipment	945
Inventories	1,291
Trade and other receivables	1,563
Cash and cash equivalents	2,735
Trade and other payables	(5,562)
Interest bearing loans and borrowings	(454)
Net identifiable assets and liabilities	518
Goodwill on acquisition	12,156
	12,674
Consideration paid- satisfied in cash*	7,674
Consideration paid- via shares issued	5,000
	12,674
Net cash outflow	4,939

* Includes legal fees amounting to $222,000

Goodwill has arisen on the acquisition of Ezipin because of customer relationships that did not meet the criteria for recognition as an intangible asset at the date of acquisition.

The Pod TV acquisition had the following effect on the consolidated entities assets and liabilities:

	Recognised Values $'000's
Property plant & equipment	137
Intangibles	240
Trade and other receivables	186
Cash and cash equivalents	73
Interest bearing loans and borrowings	(84)
Trade and other payables	(544)
Net identifiable assets and liabilities	8
Goodwill on acquisition	2,435
	2,443
Consideration paid - satisfied in cash	66
Consideration paid - via share issue*	2,377
	2,443
Net cash inflow	7

* Includes legal fees amounting to $40,000

Goodwill has arisen on the acquisition of Pod TV because of customer relationships that did not meet the criteria for recognition as an intangible asset at the date of acquisition.

Recognised values and the carrying amount of all the assets and liabilities acquired during the period are identical.

Disposals

No entities within the consolidated group were disposed of during the period ended 30 June 2006.

Note 27 (a): Details of Key Management Personnel

Parent Entity Directors	
Peter J McDougall	Executive Chairman
Hal Christiansen	Executive Director
Ian Christiansen	Executive Director & Chief Executive Officer
Julian Little	Executive Director – Strategic Development
Dugal McDougall	Non-Executive Director
Tristan Fisher	Non-Executive Director
Philip Jones	Non-Executive Director

Executives	
Marc Lichtenstein	Company Secretary & Chief Financial Officer

There were no other executives in the consolidated group that met the definition of an executive in accordance with the Corporations Act 2001 or the Australian Accounting Standards.

(b) Directors' compensation:

	Short-term			Post employment				
2006	Salary fees $'000	Cash Bonus $'000	Non-monetary $'000	Super $'000	Retirement benefits $'000	Equity Options $'000	Other benefits $'000	TOTAL $'000
Peter McDougall	116	-	-	6	-	-	-	122
Hal Christiansen	38	-	-	-	-	-	-	38
Ian Christiansen	191	-	-	14	-	-	-	205
Julian Little	193	-	-	14	-	-	-	207
Dugal McDougall	38	-	-	-	-	-	-	38
Tristan Fischer	38	-	-	-	-	-	-	38
Philip Jones	38	-	-	-	-	-	-	38
	652	-	-	34	-	-	-	686

2005	Short-term Salary fees $'000	Short-term Cash Bonus $'000	Short-term Non-monetary $'000	Post employment Super $'000	Post employment Retirement benefits $'000	Equity Options $'000	Other benefits $'000	TOTAL $'000
Peter McDougall	27	-	-	-	-	-	-	27
Hal Christiansen	20	-	-	-	-	-	-	20
Ian Christiansen	20	-	-	-	-	-	-	20
Julian Little	20	-	-	-	-	-	-	20
Dugal McDougall	20	-	-	-	-	-	-	20
Tristan Fischer	20	-	-	-	-	-	-	20
Philip Jones	18	-	-	-	-	-	-	18
	145	-	-	-	-	-	-	145

(c) Executives' compensation:

2006	Short-term Salary fees $'000	Short-term Cash Bonus $'000	Short-term Non-monetary $'000	Post employment Super $'000	Post employment Retirement benefits $'000	Equity Options $'000	Other benefits $'000	TOTAL $'000
Marc Lichtenstein	172	-	13	14	-	26	-	225
	172	-	13	14	-	26	-	225

2005	Short-term Salary fees $'000	Short-term Cash Bonus $'000	Short-term Non-monetary $'000	Post employment Super $'000	Post employment Retirement benefits $'000	Equity Options $'000	Other benefits $'000	TOTAL $'000
Marc Lichtenstein	104	-	-	9	-	9	-	122
	104	-	-	9	-	9	-	122

Compensation of key management personnel

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and senior executives. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration levels for directors, secretaries, senior managers of the Company, and relevant group executives of the consolidated entity ("the directors and senior executives") are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparative companies and the objectives of the Company's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the directors and senior executives;
- the directors and senior executives ability to control performance;
- the consolidated entity's performance including:
- the consolidated entity's earnings;
- the growth in share price and returns on shareholder wealth; and
- the amount of incentives within each directors and senior executives' remuneration.

Remuneration packages include a mix of fixed and variable remuneration and short and long-term performance-based incentives.

Fixed remuneration

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

Remuneration levels are reviewed annually by the Nomination and Remuneration Committee through a process that considers individual and overall performance of the consolidated entity. In addition external consultants provide analysis and advice to ensure the senior executives' remuneration is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

Performance-linked remuneration

Performance-linked remuneration includes both short-term and long-term incentives and is designed to reward executive directors and senior executives for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an "at risk" bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of Bill Express Limited under the rules of the Employee Share Option Plan.

Short-term incentive bonus

Each year the Nomination and Remuneration Committee sets the KPI's (key performance indicators) for the executive directors and senior executives. The KPI's generally include measures relating to the consolidated entity and the individual, and include financial, people, customer and strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPI's of the consolidated entity and to its strategy and performance.

The financial performance objectives are "profit after tax" and "return on capital employed" compared to budgeted amounts. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, customer satisfaction and staff development.

At the end of the financial year, the Nomination and Remuneration Committee assess the actual performance of the consolidated entity and individual against the KPI's set at the beginning of the financial year. A bonus is paid based on this predetermined performance. No bonus is awarded where performance falls below the minimum requirements.

The Nomination and Remuneration Committee recommends the cash incentive to be paid to the individuals for approval by the board. The method of assessment was chosen as it provides the committee with an objective assessment of the individual's performance.

In addition to any bonuses paid at the discretion of the Nomination and Remuneration Committees' recommendations as part of their service agreements the Executive Directors are entitled to receive cash bonuses for the Company achieving Net Profit After Tax (NPAT) as follows;

a) In year 1 (2005), a bonus which triggers at $6.5m NPAT in the sum of 15% of base salary stepping up at various levels of NPAT up to a maximum of 200% of base salary for NPAT of $20m;
b) In year 2 (2006), a bonus which triggers at $8m NPAT in the sum of 15% of base salary stepping up at various levels of NPAT up to a maximum of 175% of base salary for NPAT of $25m; and
c) In year 3 (2007), a bonus which triggers at $8m NPAT in the sum of 15% of base salary stepping up at various levels of NPAT up to a maximum of 200% of base salary for NPAT of $30m.

No bonuses have been accrued for the year ended 30 June 2006.

Long-term incentive

Options are issued under the Employee Share Option Plan and it provides for Directors and senior executives to receive options over ordinary shares for no consideration.

The ability to exercise the options is conditional on the consolidated entity achieving certain performance hurdles. The performance hurdles comprise the consolidated company reaching and exceeding its budgeted profit forecast. The method of assessment was chosen as it provides the Nomination and Remuneration Committee with an objective means of measuring the consolidated entity's performance against its expected performance.

Service agreements

It is the consolidated entity's policy that service contracts for executive directors are limited to 36 month terms unless the parties agree to an extension of the term. The Company Secretary's contract is unlimited in term but capable of termination on 3 months notice and the consolidated entity retains the right to terminate the contract immediately, by making payment equal to 3 months' pay in lieu of notice.

The consolidated entity has entered into service contracts with each executive director and senior executive that provides for the payment of benefits where the contract is terminated by the consolidated entity or the individual. The executive directors and senior executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contracts outlines the components of remuneration paid to the executive directors and senior executives. The service contracts of the executive directors and senior executives prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy.

Non-executive directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the Annual General Meeting, is not to exceed $250,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees are presently up to $40,000 per annum.

The Chairperson presently receives a base fee up to $50,000. Non-executive directors do not receive performance related remuneration. Directors' fees cover all main board activities and membership of committees. Non-executive director members who sit on more than one committee do not receive any additional payment. Non-executive directors receive fees and do not receive options or bonus payments.

The company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for directors by resolution.

Directors currently hold substantial interests in On Q Group Limited the parent entity of Bill Express Limited, prior to the Initial Public Offering proceeding and therefore wish to maximize the operating results of On Q Group Limited and its Controlled Entities. In line with this desire, in the past minimal cash remuneration was provided by Bill Express Limited.

Note 28: Directors' And Executives' Equity Holdings

(a) Compensation Options:

There have been no share based remuneration options to the directors or executives during the financial year other than the following:

	Vested Number	Granted Number	Grant Date	Value per option at grant date	Terms and conditions for each grant		
					Exercise Price $	First Exercise Date	Last Exercise Date
Executives							
2006							
Marc Lichtenstein	-	684,500	14 October 2005	10.82 cents	$0.25	28 June 2007	30 June 2010
2005							
Marc Lichtenstein	-	375,000	28 June 2005	10.82 cents	$0.25	28 June 2007	30 June 2010

All grants of options vest after 2 years (to the extent that vesting criteria are met) or are forfeited. Options expire 3 years after vesting. The exercise price equals market price at date of grant. The service and performance criteria, together with other details are described in Note 28(b) below.

The options have been valued by adopting the Black Scholes valuation model and are allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

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

Grant Date	Expiry Date	Fair Value Per Option	Exercise Price	Price of Shares on Grant Date	Estimated Volatility	Risk Free Interest Rate	Dividend Yield
27 June 2005	30 June 2010	2.4 cents	25 cents	23 cents	27%	5%	nil
14 October 2005	30 June 2010	10.82 cents	25 cents	28 cents	27%	5%	nil

(b) Details concerning share-based compensation of directors and specified executives

In accordance with the remuneration policy described above, options granted as remuneration are subject to continuing service with the company. Options granted as remuneration are valued at grant date in accordance with AASB 2 Share-based Payments. No options previously granted as remuneration have lapsed or been exercised during the year.

(c) Shares issued on exercise of compensation options

There have been no shares issued on exercise of compensation options.

(d) Number of options held by key management personnel

2006	Balance 1/07/05	Granted as remuner-ation	Options exercised	Net change other	Balance 30/06/06	Total vested 30/06/06	Total Exercisable 30/06/06	Total Un-exercisable 30/06/06
Directors								
Total	-	-	-	-	-	-	-	-
Executive								
Marc Lichtenstein	375,000	684,500	-	-	1,059,500	-	-	1,059,500
Total	375,000	684,500	-	-	1,059,500	-	-	1,059,500

2005	Balance 1/07/04	Granted as remuner-ation	Options exercised	Net change other	Balance 30/06/05	Total vested 30/06/05	Total Exercisable 30/06/05	Total Un-exercisable 30/06/05
Directors								
Total	-	-	-	-	-	-	-	-
Executive								
Marc Lichtenstein		375,000	-	-	375,000	-	-	375,000
Total		375,000	-	-	375,000	-	-	375,000

(e) Number of shares held by key management personnel*:

2006	Balance 1/07/05	Received as Remuneration	Options Exercised	Net change Other	Balance 30/06/06
Directors					
Peter McDougall	150,705,000	-	-	(155,000)	150,550,000
Hal Christiansen	151,551,430	-	-	(851,430)	150,700,000
Ian Christiansen	151,551,430	-	-	(825,000)	150,726,430
Julian Little	150,982,421	-	-	(134,421)	150,848,000
Dugal McDougall	150,705,000	-	-	(155,000)	150,550,000
Tristan Fischer	150,525,000	-	-	(150,000,000)	25,000
Philip Jones	-	-	-	-	-
Executives					
Marc Lichtenstein	123,500	-	-	(23,500)	100,000

2005	Balance 1/07/04	Received as Remuneration	Options Exercised	Net change Other*	Balance 30/06/05
Directors					
Peter McDougall	100	-	-	150,704,900	150,705,000
Hal Christiansen	100	-	-	151,551,330	151,551,430
Ian Christiansen	100	-	-	151,551,330	151,551,430
Julian Little	100	-	-	150,982,321	150,982,421
Dugal McDougall	100	-	-	150,704,900	150,705,000
Tristan Fischer	100	-	-	150,524,900	150,525,000
Philip Jones	-	-	-	-	-
Executives					
Marc Lichtenstein	-	-	-	123,500	123,500

* The company and the ultimate holding company have common directors. The ultimate holding company holds 150,000,000 shares in the company. Accordingly, this shareholding is reflected against the interest of each of the company directors.

Note 29: Loans to Key Management Personnel

Details of aggregates of loans to specified directors are as follows;

	Balance at beginning of period ($)	Interest Charged ($)	Interest not Charged ($)	Write-off ($)	Balance at end of period ($)	Number of Individuals in Group
Directors and executives						
2006	-	-	-	-	-	-
2005	-	-	-	-	-	-

Note 30: Related Party Disclosures

Wholly owned group transactions

The aggregate amounts receivable from / (payable to) wholly-owned controlled entities by the parent entity at balance date:

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
Mobile EFT Pty Ltd	-	-	179	69
POPS Pty Ltd	-	-	1,770	1,011
POD TV Pty Ltd	-	-	2,379	-
BOPO Card Australia Pty Ltd	-	-	167	-
Mobile EFT Plus Pty Ltd	-	-	(7)	-
Ezipin Australia Pty Ltd	-	-	(1)	-

Director-related entity transactions

Mr Jones is a partner of TressCox Lawyers. During the year, TressCox provided legal and advisory services on an arms length basis.

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
Total fees paid / payable	791	309	769	309

Equity instruments of directors

Interests at balance date

Interests in the equity instruments of Bill Express Limited held by directors of the reporting entity and their personally related entities are disclosed in Note 27 (d).

Ultimate parent and its subsidiaries

On Q Group Limited (formerly Australian Pure Fruits Limited) is the ultimate parent entity of the group. The aggregate amounts receivable from the ultimate parent at balance date:

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
On Q Group Limited	3,655	1,624	3,675	1,624
On Q Technologies Pty Ltd	7,622	6,095	7,622	6,095
	11,277	7,719	11,297	7,719

Bill Express is required to pay a royalty fee to On Q Group Limited for the use of the EBMS software. The royalty fees for 2006 financial year were $1,244,434 (2005: $587,455) and is based on a fixed 0.16% of total Bill Express revenue.

Bill Express recognised net interest revenue totalling $994,137 (2005: $168,890) for monies advanced to On Q Group Limited during the year and based on an interest rate of 10.0% (2005: 8.0%) p.a.

Other related party transactions

Loans

The aggregate amounts receivable from an equity accounted investment by the parent entity at balance date:

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
Pod TV Pty Ltd	-	428	-	428

Note 31: Auditor's Remuneration

	Consolidated		The Company	
	2006 $'000's	2005 $'000's	2006 $'000's	2005 $'000's
Amounts received or due and receivable by Pitcher Partners for:				
- An audit or review of the financial report of the entity and any other entity in the consolidated entity	291	140	291	140
- Other financial services				
- Taxation services	97	30	97	30
- Others	-	36	-	36
	388	206	388	206

Note 32: Segment Information

Business segments

The consolidated entity comprises of the following main business segments:

- **Electronic payment and distribution**
  Bill Express operates in the management and development of automated ordering, delivery and inventory control for prepaid mobile, landline and internet services and processing payments for bills that are presented for payment at Bill Express outlets across Australia.

- **Media**
  Pod TV, or point of decision TV and XIP Media, are the developers of narrowcast digital retail television networks in Australia. Pod TV and XIP Media design and install entire TV networks in retail precincts delivering effective and integrated marketing, creative content and media solutions.

Geographical segments

Geographically, the group operates predominately in Australia.

Primary Segment Information

Business segments	Electronic payment & distribution 2006 $'000	Media 2006 $'000	Consolidated 2006 $'000
Revenue			
Sales to customers outside the consolidated entity	782,168	3,838	786,006
Intersegmental revenues	465	-	-
Other revenue	900	2	902
Total revenue	783,533	3,840	786,908
Results			
Net profit before tax	7,354	738	8,092
Income tax expense	(1,549)	(219)	(1,768)
Net profit after tax	5,805	519	6,324
Assets			
Segment assets	182,740	4,910	187,650
Liabilities			
Segment liabilities	119,859	4,384	124,243
Other segment information:			
Acquisition of non-current segment assets	28,755	860	29,615
Depreciation and amortisation of segment assets	13,535	182	13,717
Other non-cash expenses	222	29	251

In 2005 the consolidated entity operated in one material business segment, electronic payment and distribution.

Note 33: Financial Instruments

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

			Fixed interest rate maturing in:					
	Floating interest rate		1 year or less		Over 1 to 5 years		More than 5 years	
Financial Instruments	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
(i) Financial assets								
Cash	4,311	10,730	2,500	2,000	-	-	-	-
Trade and other receivables	-	-	-	-	-	-	-	-
Receivables – other related parties	11,532	8,147	-	-	-	-	-	-
Total financial assets	15,843	18,877	2,500	2,000	-	-	-	-
(ii) Financial liabilities								
Trade creditors	-	-	-	-	-	-	-	-
Other creditors	-	-	-	-	-	-	-	-
Hire Purchase Liability	-	-	39	15	-	9	-	-
Finance lease liability	-	-	1,273	1,175	746	2,019	-	-
Bank and other loans	-	-	-	-	31,613	21,000	-	-
Employee benefits	-	-	-	-	-	-	-	-
Total financial liabilities	-	-	1,312	1,190	32,359	23,028	-	-

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

(b) Credit risk exposures

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

Concentrations of credit risk

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

(c) Net fair values

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the statement of financial position and notes to the financial statements.

Non-interest bearing		Total carrying amount as per the Balance Sheet		Weighted average effective interest rate	
2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 %	2005 %
-	-	6,811	12,730	3.7	5.3
60,642	29,896	60,642	29,896	-	-
-	-	11,532	8,147	10.0	8.0
60,642	29,896	78,985	50,773		
82,673	39,495	82,673	39,495	-	-
1,260	964	1,260	964	-	-
-	-	39	24	8.2	8.2
-	-	2,019	3,194	8.0	8.0
-	-	31,613	21,000	11.7	11.3
581	22	581	22	-	-
84,514	40,481	118,185	64,699		

Recognised financial instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables, trade creditors and dividends receivable: The carrying amount approximates fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Long-term loans receivable: The fair values of long-term loans receivable are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements and are recognised at fair value in the financial statements.

Note 34: Controlled Entities

	Country of Incorporation	Percentage Owned	
		2006	2005
Parent Entity:			
Bill Express Limited	Australia		
Subsidiaries of Bill Express Ltd			
Ezipin Group Ltd	Australia	100%	-%
Ezipin Australia Pty Ltd	Australia	100%	-%
BOPO Cards (Australia) Pty Ltd	Australia	100%	-%
Xip Media Pty Ltd (formerly known as POPS Pty Ltd)	Australia	100%	100%
Cheque2Cash Pty Ltd	Australia	100%	100%
Express Pay Pty Ltd	Australia	100%	100%
Mobe SPV Pty Ltd	Australia	100%	100%
Bill Express Tech Pty Ltd	Australia	100%	100%
Express CRM Pty Ltd	Australia	100%	100%
Pod TV Pty Ltd	Australia	100%	49.5%
Public Media Pty Ltd	Australia	100%	-%
Mobile EFT Pty Ltd	Australia	100%	100%

Note 35: Subsequent Events

There have been no events subsequent to balance date which have a material effect on the consolidated entity's financial statements at 30 June 2006.

Note 36: Impact of Adopting Australian Equivalents of International Financial Reporting Standards (Aifrs)

The company has evaluated the key differences in accounting policies, identifying the changes to the company's financial reporting systems and evaluated the financial impact arising from key differences in accounting policies that have arisen from adopting Australian equivalents of IFRS.

The transition date for first-time adoption of AIFRS is 1 July 2004. There are no material estimated adjustments to opening balances at 1 July 2004.The restated results under AIFRS for the year ended 30 June 2005 is $5.602 million net profit after tax compared to $6.566 million net profit after tax under AGAAP. The difference of $0.964 million is due to income tax expense being increased by this amount due to the deferred tax effect associated with capital raising costs required to be adjusted directly against issued capital.

The directors are of the opinion that the key differences in the consolidated entity's accounting policies that have arisen from the adoption of IFRS are:

Impairment of Assets

Under AASB 136 Impairment of Assets the recoverable amount of an asset is determined as the higher of net selling price and value in use. This have resulted in a change in the group's current accounting policy, which previously determines the recoverable amount of an asset on the basis of undiscounted cash flows that will be received from the assets use and subsequent disposal. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater should there be an impairment of assets. The entity has not experienced any additional write-downs for impairment of non-current assets on first-time adoption of AIFRS.

Share based payments

Under AASB 2 Share-based Payment, the company is required to determine the fair value of equity settled transactions and recognise an expense in the Statement of Financial Performance. Share-based payments to directors and other employees, such as the grant of options under an Employee Share Option Plan, are also expensed under AIFRS.

On first-time adoption of AIFRS, retained earnings at 1 July 2004 and reported results for the financial year to 30 June 2005 are required to be adjusted for all share-based payments granted after 7 November 2002, which do not vest prior to 1 January 2005. The affected share based payments are immaterial and accordingly an adjustment is not required.

The adoption of AIFRS has resulted in one adjustment being required to be made to the consolidated entities financial report. This adjustment of $26,000 is the result of a share based payment during the current period. Accordingly a reserve for this amount has been created in the current financial period. An adjustment for $9,000 was also required to be made to the 2005 profit and balance sheet as a result of the adoption of this AIFRS.

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

Income Tax

Under AASB 112 Income Taxes, the company is required to charge or credit current or deferred tax directly to equity if the tax relates to items that are charged or credited to equity.

On first-time adoption of AIFRS the reported results for the financial year to 30 June 2005 were reduced from $6.566 million net profit after tax to $5.602 million. This adjustment related to income tax associated with capital raising costs charged to equity in that year.

Note 37: Company Details

The registered office of the company is:
Bill Express Limited
677 The Boulevard
EAGLEMONT Victoria 3084
Australia
Telephone (03) 8458 1000

Directors' Declaration

1. In the opinion of the directors of Bill Express Limited ('the Company'):

   (a) the financial statements and notes including the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 27 to 77, are in accordance with the Corporations Act 2001, including:

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

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

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 34 will be able to meet any obligations or liabilities to which they are or may become subject to.

3. The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2006 pursuant to Section 295A of the Corporations Act 2001.

Dated at 29 September 2006
Melbourne.

Signed in accordance with a resolution of the directors:

Ian Christiansen
Director

PITCHER PARTNERS

Independent Audit Report To The Members Of Bill Express Limited

Scope

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

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

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

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

Qualification

We are unable to obtain sufficient appropriate evidence we require in order to form a view on the recoverability of $3.9 million of other debtors receivable. These other debtors receivable are included in Note 7 within "Other Debtors".

Audit Opinion

In our opinion, except for the effects, if any, on the financial report of the matter referred to in the qualification paragraph, the financial report of Bill Express Ltd is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the financial year ended on that date; and

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

(b) other mandatory professional requirements in Australia.

Inherent Uncertainty Regarding Carrying Value of Investment in Listed Shares

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 12 to the financial statements, listed shares at current market value of $5.134 million relate to a company listed on the Australian Stock Exchange. The audit report issued on 28 July 2006 in respect of that company's financial report for the year ended 31 March 2006 contains an emphasis of matter regarding inherent uncertainty as to the ability of that company to continue as a going concern and pay its debts as and when they fall due. Accordingly, there is an inherent uncertainty associated with the carrying value of this investment as the current market value of those shares are unlikely to be realised should that company cease to operate as a going concern.

Pitcher Partners

Pitcher Partners

S Schonberg

Stephen Schonberg
Partner
Melbourne 2 October 2006

ASX Additional Information

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only. This information is current at 25 September 2006.

1. Shareholding

(a) Distribution of Shareholders

Catategory (size of holding)	Number of Ordinary
1 - 1,000	29
1,001 - 5,000	591
5,001 - 10,000	623
10,001 - 100,000	1,655
100,001 - and over	227
	3,125

(b) The number of shareholdings held in less than marketable parcels is 294.

(c) The names of substantial shareholders listed in the holding company's register as at 25 September 2006 are:

	Number of Ordinary Shares
On Q Group Limited	150,000,000
G Harvey Nominees Pty Ltd	39,166,667
Equity Trustees Limited	35,597,356

(d) Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares

Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

(f) 20 Largest Shareholders - Ordinary Shares

	Number of Ordinary Fully Paid Shares Held	Percentage held of issued ordinary capital
On Q Group Limited *	150,000,000	37.71%
G Harvey Nominees Pty Ltd	39,166,667	9.85%
Equity Trustees Limited (SGH PI Smaller Co's Fund)	35,597,356	8.95%
National Nominees Limited	8,880,251	2.23%
Winwood Mack Products Pty Ltd	6,396,000	1.61%
UBS Wealth Management Australia Nominees Pty Ltd	4,504,500	1.13%
PM Telecommunications Pty Ltd (PM Telecommunications A/C)	3,441,996	0.87%
Beachlane Proprietary Limited (The Beachline Investment A/C)	3,200,000	0.80%
Mr Newton Chan	3,017,293	0.76%
3D Salesforce Pty Ltd (3D Salesforce A/C)	2,947,316	0.74%
Westpac Custodian Nominees Limited	2,807,551	0.71%
Raskus Pty Ltd (Raskus Family A/C)	2,650,324	0.67%
ANZ Nominees Limited	2,596,900	0.65%
O'Neil Investments Pty Ltd	2,074,072	0.52%
Equity Trustees Limited (Australian New Horizons A/C)	1,934,240	0.49%
Addenbrooke Pty Ltd	1,629,632	0.41%
Wildflower Investments Pty Ltd (Evans Family S/F A/C)	1,600,000	0.40%
UBS Wealth Management Australia Nominees Pty Ltd (188992 MR & MRS Celarc A/C)	1,500,000	0.38%
Alverstone Holdings Pty Ltd	1,460,000	0.37%
RBC Dexia Investor Services Australia Nominees Pty Limited (Bkcust A/C)	1,432,735	0.36%

*These shares are beneficially held on behalf of the On Q Group Limited by ANZ Nominees Limited (126,000,000 shares) and Fortis Clearing Nominees P/L (Settlement A/C) (24,000,000 shares).

(g) 20 Largest Option holders

	Number of options	Percentage held of issued options
On Q Group Limited	43,750,000	71.49%
G Harvey Nominees Pty Ltd	16,250,000	26.55%
Simkar Holdings Pty Ltd	600,000	0.98%
FD Enterprises Pty Ltd	600,000	0.98%

(h) On market buy back

There is no current on-market buy back.

Corporate Directory

Chairman
Peter McDougall - Executive Chairman

Directors
Ian Christiansen - Chief Executive Officer
Hal Christiansen - Executive Director
Julian Little - Executive Director
Tristan Fischer - Non-Executive Director
Dugal McDougall - Non-Executive Director
Phillip Jones – Non-Executive Director

Company Secretary
Marc Lichtenstein

Registered Office
677 The Boulevard, EAGLEMONT VIC 3084

Business Office
677 The Boulevard, EAGLEMONT VIC 3084
Tel: (03) 8458 1000
Fax: (03) 9459 2048

Website
www.billexpressltd.com

Auditors
Pitcher Partners
Level 19, 15 Williams Street, MELBOURNE VIC 3000

Stock Exchange Listing
Bill Express Shares are listed on the Australian Stock Exchange
(code: BXP)

Share Registry
Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street,
ABBOTSFORD VIC 3067
Tel: (03) 9415 5000
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Solicitors
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Annual General Meeting
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Manningham Convention Reception Centre
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