



C @ LIMITED

ACN 110 439 686

# 2006 ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2006

## **DIRECTORS**

Mr Andrew Harrison – non-executive Director / Chairman  
Mr James Martin – non-executive Director  
Mr Gordon Thompson – non-executive Director

## **COMPANY SECRETARY**

Mr Anthony Ho

## **PRINCIPAL OFFICE**

110 Brown Street  
East Perth WA 6004  
Tel: (08) 9223 0500  
Fax: (08) 9223 0550

## **REGISTERED OFFICE**

Level 1, 189 Hay Street,  
Subiaco WA 6008

## **SOLICITORS**

Steinepreis Paganin  
Level 4, Next Building  
16 Milligan Street  
PERTH WA 6000

## **AUDITOR**

KPMG  
Level 31, 152–158 St George's Terrace  
Perth WA 6000

## **SHARE REGISTRY**

Security Transfer Registrars Pty Ltd  
Suite 1, 770 Canning Hwy  
Applecross, WA 6153

## **AUSTRALIAN STOCK EXCHANGE LISTING**

Australian Stock Exchange Limited  
(Home Exchange: Perth, Western Australia)  
ASX Code: CEO; CEOO

## **AUSTRALIAN BUSINESS NUMBER**

99 110 439 686

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## DIRECTOR'S LETTER

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Dear Shareholder,

I would like to review the activities of the Company for the year ended 30 June 2006 and the significant events subsequent to balance date.

The Company made a loss of \$1.58 million during the year. The loss resulted from an overrun in costs along with significantly lower than anticipated revenue. Also contributing to the loss was a significant write down in the carrying value of goodwill in the business, and a write down in the carrying value of some frame stock, along with certain equipment.

During the period the Company acquired spectacle frame stock and setup a lens fitting laboratory in Perth, Western Australia. Twenty Nine independent optometrists were recruited as associates, and were consigned C @ spectacle frame stock for sale.

Subsequent to year end a significant restructure of the board occurred with the resignation of the two executive Directors and the cancellation of all founder options issued to the Directors prior to the Company listing on the ASX.

Two new Directors were appointed to the board, Mr James Martin and Mr Gordon Thompson. I welcome them to the Company.

The Company secured a draw down loan facility for \$500,000 to fortify working capital reserves announced on 8 August 2006.

The focus of the current board over the last month has been to examine the operations of the Company and identify major areas of improvement, along with reviewing opportunities to restore shareholder value.

### **Reduction of Costs**

As announced to the market on 31 August 2006, the Company has made substantial savings in operating costs. This has resulted from a detailed review of recurring and once off costs and identification of appropriate savings. Although there remained an overhang of costs from previous management during August, the current board is encouraged by the savings achieved, and costs are now in line with expectations.

Northbridge Optic Clinic remains for sale, and it is the intention of the board, in the absence of other opportunities, to sell the business.

### **Business Model**

The current board continues to review both the operating model of the Company and other opportunities to restore shareholder value. While the Company is focused on growing revenue from the current associate optometrist model, other avenues for the sale of frame stock are also being explored.

The facility secured during August, the Company's current cash position, and its sharply reduced cost structure enable it to stabilise its cashflow, continue operations, and review other opportunities in the normal course of business.

The current board will continue to keep the market informed of progress.



Andrew Harrison  
Non executive Director (Acting Chairman)

Perth, Western Australia

29 September 2006

## DIRECTORS' REPORT

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The Directors present their report together with the financial report of C@ Limited ("C@" or "Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2006 ("year") and the auditor's report thereon.

### **Directors**

The Directors of the Company at any time during or since the end of the year are:

#### ***Mr Andrew Duncan Harrison***

Non executive Director (Acting Chairman)  
Appointed 15 June 2005

Mr Harrison has significant experience in both senior management and board positions in publicly listed companies. He has held senior positions in a number of major organisations including Brambles Australia Limited, and has played leading roles in strategy, management, and business development across a number of sectors.

Prior to becoming Managing Director of Capitol Health Limited (An ASX-listed healthcare provider), Mr Harrison was Managing Director of Neptune Marine Services Limited, and played an integral role in the initial public offering of that company in April 2004, and the subsequent commercialisation of its technology. He was a non-executive Director of ASX listed Neptune Marine Services Limited until March 2006.

Previously he has worked as a management consultant for such clients as Chubb Australasia and has been CEO of a Melbourne based marketing consultancy. Mr Harrison also holds a Bachelor of Commerce (Honours) in Marketing and Commercial Law from Curtin University in Western Australia, and is a member of the Australian Institute of Company Directors.

#### ***Mr James Martin***

Non executive Director  
Appointed 3 August 2006

Mr Martin is a licensed securities dealer and principal trader having experience in Australia and the United Kingdom. Mr Martin has a Bachelor of Science degree with a double major in mathematics and physics from the University of Western Australia. He has completed post graduate courses in securities trading earning a Graduate Diploma in Finance and Investments from the Securities Institute of Australia. He is the founder of Marketech Pty Ltd. and designed the trading software it makes available to its trading clients.

Mr Martin has worked as an equity and equity derivatives advisor/dealer for a Perth based stockbroking firm and worked on the international equity derivatives desk of a major global brokerage firm in London. He also serves as a Troop Commander in the Royal Australian Engineers in the Australian Army Reserves.

Mr Martin will be seeking re-election by shareholders at the 2006 Annual General Meeting.

#### ***Mr Gordon Alfred Thompson***

Non executive Director  
Appointed 3 August 2006

Mr Thompson holds a masters degree in engineering and is a Fellow of Engineers Australia. He is a private consultant and a non-executive Director of the ASX listed Dyesol Limited a company commercializing Dye Solar Cell a third generation photovoltaic technology. He is the former Managing Director of the International Centre for the Application of Solar Energy (CASE), a UN centre with the charter of promoting renewable energy and developing the industry globally. Mr Thompson was the inaugural chairman of the Sustainable Energy Industry Association of Australia, which merged to create the Business Council for Sustainable Energy. Prior to this Mr Thompson was the international business manager of Melbourne Water Corporation.

Mr Thompson has worked in a diverse range of countries including China, Vietnam, Thailand, Indonesia, Malaysia, India, Palestine and South Africa, providing policy advice, professional services and managing projects. He also

**DIRECTORS' REPORT (cont'd)**

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**Mr Gordon Alfred Thompson (cont'd)**

has extensive experience as a senior executive, managing the delivery of a diverse range of multi-discipline infrastructure projects, and business development in both the water and sustainable energy industry sectors. He has a proven ability to interface and negotiate at a high level with Government and the private sector establishing agreements and relationships within Australia and internationally.

Mr Thompson will be seeking re-election by shareholders at the 2006 Annual General Meeting.

**Mr Kevin Benedict Holland**

*Executive Director* - appointed 11 October 2004; resigned 3 August 2006

Mr Holland has held senior positions in Australian and international mining companies, spending 23 years in various positions including project management and directorships, and is a member of the Australian Institute of Company Directors.

**Mr Andrew Pearson Gay**

*Former Chief Executive Officer* - appointed 11 October 2004; resigned 3 August 2006

Mr Gay has owned and operated a successful Optometry practice as well as running a large independent optical buying group. He has 20 years of experience in the optical industry as well as degrees in Optometry, Psychology, and a Masters Degree in Business. Mr Gay is also a member of the Australian Institute of Company Directors.

**Company Secretary****Mr Anthony Ho**

*Company Secretary* – appointed 8 August 2006

Mr Ho is a Chartered Accountant and principal of a public practice specialising in providing corporate and financial services to ASX-listed companies.

Note: During the year Ms Katina Gunellas held the position of Company Secretary from 1 July 2005 and resigned on the 30 June 2006.

Mr TJ Spooner held the position of Company Secretary from 1 July 2006 and resigned on the 8<sup>th</sup> August 2006.

**Directors' Meetings**

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the year are:

Director	Board Meetings	
	Held while Director	Attended
Mr A Harrison	10	8
Mr J Martin	-	-
Mr G Thompson	-	-
Mr K Holland	10	10
Mr A Gay	10	10

**Principal Activities**

The principal activity of the consolidated entity during the year was optometry and optical dispensing.

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

**Review and results of operations**

During the financial year:

## DIRECTORS' REPORT (cont'd)

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- The Company raised \$2,435,600 through an initial public offering by the issue of 12,178,000 ordinary fully paid shares at \$0.20 each and 6,089,000 options exercisable at \$0.20 each on or before 31 March 2008.
- The Company was admitted to the Official List of the Australian Stock Exchange Limited on 20 December 2005.
- The funds raised have been used to progress the Company's strategy with regard to expanding the number of independent optical practices who choose to affiliate with the Company and consolidate under the C@ retail brand, establish an optical wholesale business to supply such optical practices with optical products and associated services and to provide additional working capital.
- The Company entered into service contracts with Kevin Holland and Andrew Gay and granted a total of 12,500,000 founder options exercisable at 20 cents on or before 1 July 2010 to Kevin Holland and Andrew Gay. The service contracts and founder options were cancelled subsequent to the year end.

### Results

The consolidated loss after income tax for the year was \$1,577,193 (2005 Loss \$213,455).

### State of Affairs

Other than referred to above, there were no significant changes in the state of affairs of the consolidated entity during the year.

### Dividends

No dividends were declared or paid for the previous year and the Directors recommend that no dividends be paid for the current year.

### Events Subsequent to Reporting Date

A number of events occurred subsequent to reporting date:

- There was a significant restructure of the board occurred with the resignation of the two executive Directors and the cancellation of all founder options issued to the Directors prior to the Company listing on the ASX.
- Two new Directors were appointed to the board, Mr James Martin and Mr Gordon Thompson. I welcome them to the Company.
- The Company secured a draw down loan facility for \$500,000 to fortify working capital reserves announced on 8 August 2006.

The focus of the current board is to examine the operations of the Company and identify major areas of improvement, along with reviewing opportunities to restore shareholder value.

Other than the matters disclosed in this report and in the attached financial statements 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 Directors of the company, to affect significantly the operations of the consolidated entity, the results of these operations, on the state of affairs of the consolidated entity, in future financial years.

### Likely Developments

The Company continues to operate the C@ affiliate Optometrist model selling frames and stock lenses to independent Optometrists, along with investigating other means through which revenue can be generated from existing inventory, and the review of other opportunities.

### Directors' Interests

The relevant interest of each current Director and his associated interests in the shares and options over such instruments issued by the companies within the consolidated entity and other related body corporate, as notified by the Director to the Australian Stock Exchange Limited in accordance with s 205G (1) of the Corporations Act 2001, at the date of this report is as follows:

**DIRECTORS' REPORT (cont'd)**

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**Directors' Interests (cont'd)**

<b>Director</b>	<b>Ordinary Shares</b>	<b>Options</b>
Mr A Harrison	-	500,000
Mr J Martin *	2,660,000	2,260,000
Mr G Thompson *	20,000	10,000
<b>Total</b>	<b>2,680,000</b>	<b>2,770,000</b>

\* - held directly or indirectly

**Share Options****Options granted to Directors and Officers of the Company**

There were no options granted during or since the end of the financial year for no consideration to the Directors as part of their remuneration. Subsequent to the end of the financial year the 12,500,000 Founder Options were cancelled. 200,000 options were issued under the Company's Incentive Option Scheme.

**Unissued shares under option**

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

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Options</b>
31 March 2008	\$0.20	11,789,000

Of the total options on issue, 6,589,000 are listed on the ASX and 5,000,000 are subject to escrow for 24 months from listing on ASX and 200,000 are unlisted.

There are no voting rights attached to the options. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

**Indemnification and Insurance of Directors and Officers****Indemnification**

The Company has agreed to indemnify all the Directors and officers who have held office of the Company during the financial year, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

**Insurance Premiums**

The Company paid a premium, during the year in respect of a director and officer liability insurance policy, insuring the directors of the company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

**Environmental Regulation**

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

**DIRECTORS' REPORT (cont'd)**

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There were no changes in environmental or other legislative requirements during the year that have significantly affected the results or operations of the consolidated entity.

**Remuneration Report**

The remuneration report, which forms part of the Director's report is set out on pages 8-11.

**Auditor's independence declaration**

Section 307C of the Corporations Act 2001 requires our auditor, KPMG, to provide the Directors of C@ with an independence declaration in relation to the audit of the attached financial statements. This independence declaration is set out in page 47 of this Annual Report and forms part of this Directors report.

**Non-audit services**

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of these non-audit services during the year by the auditor is compatible with, and did not compromise, the audit independence requirements of the Corporations Act 2001 for the following reasons:

1. all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
2. the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

**Details of the amounts paid to the auditor of the Company, KPMG for audit and non-audit services provided during the year are set out below:**

	<b>Consolidated 2006 \$</b>	<b>Consolidated 2005 \$</b>
Audit and review of financial reports	38,870	11,000
Other services		
➤ Preparation of an investigating accountant's report	22,637	-
	<u>61,507</u>	<u>11,000</u>

Signed in accordance with a resolution of the Directors:



A Harrison  
Director

Perth, Western Australia  
29 September 2006

## REMUNERATION REPORT

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### **1. Remuneration Policies - audited**

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including directors of the Company and other executives. Key Management personnel consists of only Directors.

The remuneration policy of the Company is to ensure that remuneration levels for Directors, secretaries and senior managers are set at competitive levels to attract and retain appropriately qualified and experienced Directors and senior executives.

#### *1.1 Fixed Remuneration*

Fixed remuneration consists of base remuneration, as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually through a process that considers the person's responsibilities, duties and personal performance.

#### *1.2 Long-term incentive*

Options are issued under the Incentive Option Scheme, which provides for Executive Directors and senior executives to receive options over ordinary shares for no consideration. The ability to exercise the options may be conditional on the individual's performance against predetermined performance hurdles and/ or the consolidated entity achieving certain performance hurdles.

Individual performance hurdles may comprise a number of components, which include share price hurdles and personal KPIs. In assessing whether the performance hurdles have been met, the Board meets to assess the performance of the senior executives.

#### *1.3 Service Agreements*

It is the Company's policy that service contracts for Executive Directors are entered into for a 3 year term. During the year the Company entered into executive service agreements with Mr Andrew Gay and Mr Kevin Holland under which the Company paid Mr Gay and Mr Holland salaries of \$125,000 and \$80,000 per annum respectively, exclusive of superannuation. Subsequent to the year-end, the Company terminated Mr Gay's and Mr Holland's employment. Pursuant to their respective termination deeds, all founders' options previously issued were cancelled.

#### *1.4 Non-Executive Directors*

The total primary remuneration for all non-executive Directors is not to exceed \$200,000 per annum.

### **2. Directors' and Executive Officers' Remuneration - audited**

Details of the nature and amount of each major element of the emoluments of each Director of the Company and the consolidated entity during the year are:

REMUNERATION REPORT

**Directors' and Executive Officers' Remuneration – audited (cont'd)**

		<i>Short-term</i>		<i>Post employment</i>	<i>Equity/ Other</i>	<b>Total</b> \$
		<b>Salary and fees</b> \$	<b>Non-monetary benefits</b> \$	<b>Super contributions</b> \$	<b>Options/ Other</b> \$	
<b>Directors</b>						
<i>Executive</i>						
Mr K Holland	2006	118,108	-	10,630	-	128,738
	2005	53,565				53,565
Mr A Gay	2006	136,527	1,934	12,287	-	150,748
	2005	52,000				52,000
Ms J Viner (resigned 15 June 2005)	2006	-	-	-	-	-
	2005	36,750	-	146	-	36,896
<i>Non-executive</i>						
Mr A Harrison	2006	28,385	-	-	30	28,415
	2005	-	-	-	-	-
Mr J Martin (appointed 3 August 2006)	2006	-	-	-	-	-
Mr G Thompson (appointed 3 August 2006)	2006	-	-	-	-	-
Ms K Gunellas – Company Secretary	2006	44,000	-	-	-	44,000
	2005	-	-	-	-	-
<b>Total, all Directors</b>	<b>2006</b>	<b>327,020</b>	<b>1,934</b>	<b>22,917</b>	<b>30</b>	<b>351,901</b>
	<b>2005</b>	<b>142,315</b>	<b>-</b>	<b>146</b>	<b>-</b>	<b>142,461</b>

Note: No performance related remuneration has been paid out during the period

## REMUNERATION REPORT

### Directors' and Executive Officers' Remuneration (cont'd)

#### 3. Equity Instruments

All options refer to options over ordinary shares of C @ Limited which are exercisable on a one for one basis under the C @ Employee Option Scheme.

##### 3.1 Options and rights over equity instruments granted as compensation - audited

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 of options that were vested during the reporting period are as follows;

	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
<b>Directors</b>						
*Mr K Holland	6,250,000	2 August 2005	-	-	\$0.20	1 July 2010
*Mr A Gay	6,250,000	2 August 2005	-	-	\$0.20	1 July 2010
Mr A Harrison	500,000	2 August 2005	-	\$0.00006	\$0.20	31 March 2008

	Number of options granted during 2005	Grant date	Number of options vested during 2005	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry date
<b>Directors</b>						
Mr K Holland	-	-	-	-	-	-
Mr A Gay	-	-	-	-	-	-
Mr A Harrison	-	-	-	-	-	-

\*The options issued to Mr Holland and Mr Gay totaling 12,500,000 are founder options with following vesting conditions:

- 5,000,000 – if the Company's share price trades on the ASX at \$0.50 per share based on an average weighted trading price of the shares over 10 trading days (as determined by the Company's auditors) on or before 1 July 2007;
- 5,000,000 – if the Company's share price trades on the ASX at \$0.75 per share based on an average weighted trading price of the shares over 10 trading days (as determined by the Company's auditors) on or before 1 July 2008;
- 2,500,000 – if the Company's share price trades on the ASX at \$1.00 per share based on an average weighted trading price of the shares over 10 trading days (as determined by the Company's auditors) on or before 1 July 2009;

The 12,500,00 founder options issued to Mr Holland and Mr Gay were cancelled subsequent to year end.

##### 3.2 Analysis of movement in options – unaudited

The movement during the reporting period by value of options over ordinary shares in the company held by each company director is detailed below.

	Value of Options			
	Granted in year \$ (A)	Exercised in year \$ (B)	Forfeited in year \$ (C)	Total option value in year \$
Mr K Holland	-	-	-	-
Mr A Gay	-	-	-	-
Mr A Harrison	30	-	-	30
	<u>30</u>	<u>-</u>	<u>-</u>	<u>30</u>

## REMUNERATION REPORT STATEMENT (cont'd)

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**(A)** The value of options granted in the year to Mr Harrison is the fair value of the options calculated at grant date using a Black Scholes option-pricing model. The value of options granted in the year to Mr Holland and Mr Gay is the fair value of the options calculated at grant date using a barrier option pricing model (reflecting the 50c, 75c and \$1 hurdles). The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2005 to 1 July 2008).

**(B)** The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Stock Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

**(C)** The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using a binominal option-pricing model with no adjustments for whether the performance criteria have or have not been achieved.

The Directors have considered the appropriate structures, policies and codes of behaviour for the Company which are appropriate for the size and stage of development of the Company.

A process of review will continue as the Company develops and the Directors determine what the best practice is for C@ Limited.

## CORPORATE GOVERNANCE STATEMENT

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### **ASX Best Practice Recommendations**

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting year. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it. Where the Company considered it was not appropriate to presently comply with a particular recommendation the reasons are set out in the latter part of this statement.

### **Board of Directors**

#### *Role of the Board*

The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of shareholders by:

- setting objectives, goals and strategic direction with management with a view to maximising shareholder value;
- overseeing the financial position and monitoring the business and affairs of the Company;
- establishing corporate governance, ethical, environmental and health and safety standards;
- ensuring significant business risks are identified and appropriately managed; and
- ensuring the composition of the Board is appropriate, selecting Directors for appointment to the Board and reviewing the performance of the Board and the contributions of individual Directors.

The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

#### *Board composition*

The Board comprises 3 Directors.

The Directors are subject to election by shareholders. All Directors, apart from the Managing Director, are subject to re-election by rotation within every three years. The Company's Constitution provides that one-third of the Directors retire by rotation at each AGM. Those Directors who are retiring may submit themselves for re-election by shareholders, including any Director appointed to fill a casual vacancy since the date of the previous AGM. The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate. The Directors have a broad range of qualifications, experience and expertise in the clinical and finance industries. The skills, experience and expertise of Directors are set out in the Directors' Report.

The names of the Directors in office at the date of this Report, the date of their appointment, their status as non-executive, executive or independent Directors, whether they are retiring by rotation and seeking re-election by shareholders at the 2006 AGM, are set out in the Directors' Report.

#### *Independence of non-executive Directors*

The Board considers an independent Director to be a non-executive Director who meets the criteria for independence included in the ASX Best Practice Recommendations. The Board considers that Mr Andrew Harrison and Mr Gordon Thompson meet these criteria. He has no material business or contractual relationship with the Company, other than as a Director, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, he is considered to be independent.

Mr Martin is not considered independent due to his major shareholding and business relationship with the Company.

#### *Independent professional advice*

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their

## CORPORATE GOVERNANCE STATEMENT (cont'd)

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duties. The advice is at the Company's expense, subject to the prior approval of the Chairman. Advice so obtained is to be made available to all Directors.

### *Meetings*

The Board held 10 scheduled meetings during the reporting year and no unscheduled meetings were held during that year. Senior management attended and made presentations at the Board Meetings as considered appropriate and were available for questioning by Directors.

### *Board committees*

The Board has not formally constituted an audit committee. The entire board currently undertakes the duties of an audit committee which includes:

- supervising the engagement of the external auditor and monitoring their performance;
- reviewing the effectiveness of management information and other systems of internal control;
- reviewing all areas of significant financial risk and arrangements in place to contain those to acceptable levels;
- reviewing significant transactions that are not a normal part of the Company's business;
- reviewing the year-end and interim financial information and ASX reporting statements;
- monitoring the internal controls and accounting compliance with the Corporations Act, ASX Listing Rules, external audit reports and ensure prompt remedial action where required; and
- reviewing the Company's financial statements and accounting procedures.

The Company's auditor is invited to attend the annual general meeting and the Company supports the principle of the auditor being available to answer questions on the conduct of the audit and the content of the audit report.

The Board has not formally constituted a nomination committee or remuneration committee. The whole Board conducts the functions of a nomination committee and remuneration committee.

### *Evaluation of Board performance*

During the reporting year an evaluation of the Board and key executive was carried out on an informal basis. As the activities of the Company develop, it will establish more formal evaluation procedures, including quantitative measures of performance.

### *Remuneration policies*

Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services. Non-executive Directors' fees are capped at \$200,000 per annum.

### *Attendance at Board and Committee meetings*

The attendance of Directors at Board meetings during the year is detailed in the Directors' Report.

### *Managing business risks and internal control framework*

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility the Board has instigated an internal control framework that includes the following:

- Financial reporting – there is a comprehensive budgeting and forecasting system with updates provided to the Board at each Board meeting. Periodic reports are provided to the Board. Quarterly, half yearly and annual reports are prepared in accordance with the Corporations Act and ASX Listing Rules.
- The Managing Director and the Company Secretary are required to confirm in writing that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

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- The Company has written policies covering health, safety and the environment.

### *Ethical standards*

The Board is committed to promoting the practice of high ethical standards. All Directors and employees are expected to act with the utmost integrity and objectivity striving at all times to enhance the reputation and performance of the Company, in the following areas:

- professional conduct;
- dealings with suppliers, advisers and regulators;
- dealings with the community; and
- dealings with other employees.

### *Trading in the Company's securities by Directors and employees*

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all Directors and employees. Under the policy, Directors are prohibited from short term trading in the Company's securities whilst in possession of price sensitive information. The Board must be notified of any proposed transaction and must give clearance for the transaction to proceed.

### *Privacy*

The Company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of C@ Limited.

### *Information disclosure*

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. In accordance with the continuous disclosure requirements under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner and that all information provided to the ASX is immediately available to shareholders and the market on the Company's website. Analysts and press briefings may be conducted following the release of half-year results, full-year results and major announcements and, from time to time, briefings with major shareholders may be conducted in order to promote a better understanding of the Company. In conducting briefings, the Company takes care to ensure that any price sensitive information included in the content of briefings has already been made available to all shareholders and the market.

### *Shareholders*

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders through:

- continuous disclosure in the form of public announcements on ASX;
- annual and quarterly reports to shareholders;
- investor briefings;
- the Chairman's address delivered at the Annual General Meeting; and
- notices of all meetings of shareholders and explanatory notes of proposed resolutions.

Shareholders are encouraged at annual general meetings to ask questions of Directors and senior management and also the Company's external auditors, who are required to be in attendance.

### *Retirement benefits for non-executive Directors*

The Company does not have any scheme relating to retirement benefits for non-executive Directors.

### **ASX Guidelines on Corporate Governance**

Pursuant to ASX Listing Rules the Company must provide a statement disclosing the extent to which the ASX best practice recommendations have been/not been followed in the reporting year. The Company sets out below an explanation of the areas where C@ does not presently comply with ASX best practice recommendations.

#### *Composition of the Board*

A majority of the Board of Directors is not comprised of independent Directors under the ASX definition of independence, as set out in the ASX Corporate Governance Council Best Practice Recommendations. The Company is in its early stages of development and does not consider it appropriate nor cost effective to adopt this recommendation.

Each individual member of the Board is satisfied that whilst the Company may not comply with best practice recommendations 2.1, 2.2 and 2.3, the Board always acts with independence and in accordance with the Statement of Corporate Governance.

#### *Website*

The ASX guidelines also prescribe that the Company should maintain a dedicated corporate governance information section on its website. Such a dedicated information section is not presently available on the Company's website, although the annual financial report will be posted to the website and the Statement of Corporate Governance can be viewed there.

#### *Board committees*

The Company does not presently have a separate audit, nomination or remuneration committee as required by best practice recommendations 4.2, 2.4 and 9.2, respectively. The Company is in its early stages of development and as such, the entire Board conducts the function of such committees. The duties of such committees have been considered and adopted by the Board. The board invites persons with relevant industry and financial experience when required to carry out the functions of such committees.

## CONSOLIDATED INCOME STATEMENTS for the year ended 30 June 2006

	Note	Consolidated 2006 \$	Consolidated 2005 \$	Company 2006 \$	Company 2005 \$
Sales revenue		311,134	236,970	-	-
Cost of sales		(205,125)	(65,133)	-	-
Gross profit		106,009	171,837	-	-
Other income	2(a)	28,787	296	28,787	296
Accounting and audit fees		(152,850)	(30,818)	(152,307)	(29,756)
Advertising and marketing		(71,001)	(4,877)	(48,785)	-
Borrowing costs		(25,513)	(10,062)	(9,356)	(5,720)
Legal fees		(5,087)	(850)	(3,525)	(850)
Employee benefits		(390,737)	(244,291)	(193,201)	(122,500)
Professional and consulting fees		(93,173)	(24,172)	(92,995)	(5,748)
Depreciation and amortisation	2(b)	(46,979)	(19,926)	(11,097)	-
Rent		(54,884)	(24,544)	-	-
Repairs and maintenance		(15,629)	(4,122)	-	-
Telephone		(19,729)	(5,053)	(390)	-
Travel and accommodation		(46,034)	(11,195)	-	-
Impairment of Inventories	2(b)	(150,000)	-	-	-
Impairment of property, plant and equipment	2(b)	(75,000)	-	(75,000)	-
Impairment of intangible assets	2(b)	(375,844)	-	(354,550)	-
Impairment of loans to controlled entities	2(b)	-	-	(1,287,850)	-
Other expenses		(189,529)	(5,678)	(78,935)	(100)
<b>Loss before income tax</b>	5	(1,577,193)	(213,455)	(2,279,204)	(164,378)
Income tax	5(a)	-	-	-	-
<b>Loss after income tax</b>		(1,577,193)	(213,455)	(2,279,204)	(164,378)
<b>Net loss attributable to equity holders of the parent</b>	23	(1,577,193)	(213,455)	(2,279,204)	(164,378)
Basic loss per share (cents)	23	(6.74)	(2.41)		
Diluted loss per share	23	(6.74)	(2.41)		

The income statements are to be read in conjunction with the accompanying notes.

## CONSOLIDATED BALANCE SHEETS as at 30 June 2006

	Note	Consolidated		Company	
		2006 \$	2005 \$	2006 \$	2005 \$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	411,940	111,329	392,549	103,318
Trade and other receivables	8	84,667	24,440	38,620	8,308
Inventories	9	113,560	151,465	-	-
Other assets	10	219,055	175,980	9,800	290,686
<b>Total Current Assets</b>		<b>829,222</b>	<b>463,214</b>	<b>440,969</b>	<b>402,312</b>
<b>NON CURRENT ASSETS</b>					
Property, plant & equipment	11	643,671	225,577	299,643	-
Intangibles	12	-	375,844	-	-
Other assets	10	232,500	-	12,500	354,550
<b>Total Non Current Assets</b>		<b>876,171</b>	<b>601,421</b>	<b>312,143</b>	<b>354,550</b>
<b>TOTAL ASSETS</b>		<b>1,705,393</b>	<b>1,064,635</b>	<b>753,112</b>	<b>756,862</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	13	169,269	201,330	87,325	149,622
Employee benefits	14	4,880	2,797	-	-
Interest-bearing liabilities	15	204,699	146,910	88,676	53,768
Other liabilities	16	8,215	32,103	-	9,000
<b>Total Current Liabilities</b>		<b>387,063</b>	<b>383,140</b>	<b>176,001</b>	<b>212,390</b>
<b>NON CURRENT LIABILITIES</b>					
Interest-bearing liabilities	15	480,332	186,100	392,047	-
<b>Total Non Current Liabilities</b>		<b>480,332</b>	<b>186,100</b>	<b>392,047</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>867,395</b>	<b>569,240</b>	<b>568,048</b>	<b>212,390</b>
<b>NET ASSETS</b>		<b>837,998</b>	<b>495,395</b>	<b>185,064</b>	<b>544,472</b>
<b>EQUITY</b>					
Issued capital	17	2,624,116	704,350	2,624,116	704,350
Reserves	18	4,530	4,500	4,530	4,500
Accumulated losses	19	(1,790,648)	(213,455)	(2,443,582)	(164,378)
<b>TOTAL EQUITY</b>		<b>837,998</b>	<b>495,395</b>	<b>185,064</b>	<b>544,472</b>

The balance sheets are to be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY for the year ended 30 June 2006

<b>Consolidated</b>	<b>Issued Capital \$</b>	<b>Reserves \$</b>	<b>Accumulated Losses \$</b>	<b>Total \$</b>
<b>Balance as at 1 July 2004</b>	-	-	-	-
Issue of share capital	704,350	-	-	704,350
Share issue costs	-	-	-	-
Options issued	-	4,500	-	4,500
Loss for the year	-	-	(213,455)	(213,455)
<b>At 30 June 2005</b>	<b>704,350</b>	<b>4,500</b>	<b>(213,455)</b>	<b>495,395</b>
Issue of share capital	2,435,600	-	-	2,435,600
Share issue costs	(515,834)	-	-	(515,834)
Options issued	-	30	-	30
Loss for the year	-	-	(1,577,193)	(1,577,193)
<b>At 30 June 2006</b>	<b>2,624,116</b>	<b>4,530</b>	<b>(1,790,648)</b>	<b>837,998</b>
<b>Company</b>				
<b>Balance as at 1 July 2004</b>	-	-	-	-
Loss for the year	-	-	(164,378)	(164,378)
Issue of share capital	704,350	-	-	704,350
Options issued	-	4,500	-	4,500
<b>At 30 June 2005</b>	<b>704,350</b>	<b>4,500</b>	<b>(164,378)</b>	<b>544,472</b>
Issue of share capital	2,435,600	-	-	2,435,600
Share issue costs	(515,834)	-	-	(515,834)
Options issued	-	30	-	30
Loss for the year	-	-	(2,279,204)	(2,279,204)
<b>At 30 June 2006</b>	<b>2,624,116</b>	<b>4,530</b>	<b>(2,443,582)</b>	<b>185,064</b>

The statements of changes in equity are to be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENTS OF CASH FLOWS for the year ended 30 June 2006

	Note	Consolidated		Company	
		2006 \$	2005 \$	2006 \$	2005 \$
<b>Cash flows from operating activities</b>					
Cash receipts from customers		309,050	236,971	-	-
Cash paid to suppliers and employees		(1,637,271)	(375,938)	(1,910,087)	(156,579)
Interest received		28,367	296	28,367	296
Interest expense		(28,871)	-	-	-
<b>Net cash used in operating activities</b>	27	<b>(1,328,725)</b>	<b>(138,671)</b>	<b>(1,881,720)</b>	<b>(156,283)</b>
<b>Cash flows from investing activities</b>					
Payments for investments		(12,500)	-	(12,500)	(200)
Loans repaid		-	-	115,656	-
Payments for property, plant and equipment		(540,072)	-	(385,740)	-
<b>Net cash used in investing activities</b>		<b>(552,572)</b>	<b>-</b>	<b>(282,584)</b>	<b>(200)</b>
<b>Cash flows from financing activities</b>					
Funds to security deposit		(220,000)	-	-	-
Proceeds from borrowings		344,803	-	547,242	9,001
Repayment of borrowings		-	-	(151,532)	-
Net proceeds from issue of shares	17	2,057,825	250,000	2,057,825	250,800
<b>Net cash provided by financing activities</b>		<b>2,181,908</b>	<b>250,000</b>	<b>2,453,535</b>	<b>259,801</b>
<b>Net increase in cash and cash equivalents</b>		<b>300,611</b>	<b>111,329</b>	<b>289,231</b>	<b>103,318</b>
<b>Cash and cash equivalents at 1 July</b>		<b>111,329</b>	<b>-</b>	<b>103,318</b>	<b>-</b>
<b>Cash and cash equivalents at 30 June</b>	7	<b>411,940</b>	<b>111,329</b>	<b>392,549</b>	<b>103,318</b>

The statements of cash flows are to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 30 June 2006

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

C@ Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

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 complies with Australian Accounting Standards, adopted by the Australian Standards Board and the Corporations Act 2001. Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS"). The parent financial report complies with IFRS except for the disclosure requirements in AIS 32 Financial Instruments: Presentation and Disclosure because the company has elected to apply the relief provided to parent entities by AASB 132 Financial Instruments: Disclosure and Presentation in respect of certain disclosure requirements.

This is the consolidated entity's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS, and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in note 1 (w) below.

**(b) Basis of preparation**

The financial report is presented in Australian dollars. The entity has elected to early adopt the following accounting standards and amendments:

- AASB 119 *Employee Benefits* (December 2004)
- AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements* and AASB 124 *Related Party Disclosures*
- AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 119 *Employee Benefits* (December 2004)
- AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004)
- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), and AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-6 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 3 *Business Combinations*
- AASB 2006-1 *Amendments to Australian Accounting Standards* (January 2006) amending AASB 121 *The Effects of Changes in Foreign Exchange Rates* (July 2004)
- AASB 2005-8 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004)
- AASB 2005-11 *Amendments to Australian Accounting Standards* (September 2005) amending AASB 101 *Presentation of Financial Statements*, AASB 112 *Income Taxes*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 133 *Earnings per Share*.
- UIG 4 *Determining whether an Arrangement contains a Lease*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**  
for the year ended 30 June 2006

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**Issued standards not early adopted**

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

**Issued standards not early adopted (cont'd)**

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

The consolidated entity plans to adopt AASB 7, AASB 2005-9 and AASB 2005-10 in the 2007 financial year.

The initial application of these standards and amendments is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard and the amendment are concerned only with disclosures.

The financial report is prepared on the historical cost basis.

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) Financial Position**

The consolidated entity has recorded a loss after tax for the year of \$1,577,193 (2005: \$213,455). The parent entity has recorded a loss after tax of \$ 2,279,204 (2005: \$164,378). At 30 June 2006, the consolidated entity has a surplus in working capital of \$442,159 (2005: \$80,074). The parent entity has a surplus in working capital of \$264,968 (2005: \$189,922). Whilst the consolidated entity has yet to establish profitable operations, the Directors have prepared the financial statements on the going concern basis, which contemplates the establishment of profitable operations and the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe this to be appropriate for the following reasons:

- (i) the consolidated entity has subsequent to balance date secured a financing facility of \$500,000 which remains unutilised at the date of this report (refer Note 29 for further details of this facility);

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**  
for the year ended 30 June 2006

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- (ii) the consolidated entity has significantly reduced corporate and other overheads without materially affecting revenue activities;
- (iii) Directors have prepared a cash flow forecast which indicates the company and consolidated entity will have positive cash balances for at least the next 12 months. These forecasts are based on assumptions which are inherently uncertain given the formative stage of development of the business; and
- (iv) the consolidated entity believes it has the ability to raise additional funding if required.

For the reasons set out above, the Directors are confident that the business will develop profitable and cash flow positive operations and that until such time as this occurs, sufficient additional funding is available to it to continue as a going concern. Should this not occur, there is significant uncertainty as to whether the company and consolidated entity will continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

**(d) Principles of consolidation***Controlled entities*

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases. Control exists when the Company has the power, directly or indirectly, to govern financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

*Transactions eliminated on consolidation*

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

**(e) Goodwill**

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.

**(f) Impairment**

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy m) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated annually.

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 the asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (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.

*Calculation of recoverable amount*

The recoverable amount of the consolidated entity's 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**  
for the year ended 30 June 2006

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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 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*

An impairment loss in respect of a 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 goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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.

**(g) Revenue recognition***Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

*Interest income*

Interest income is recognised as it accrues.

**(h) Acquisition of assets***Owned assets*

All assets acquired including plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

**(i) Property, plant and equipment**

Plant and equipment are carried at cost less accumulated depreciation and impairment losses. All assets are depreciated over their estimated useful lives on a straight line basis commencing from the time the asset is ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The expected useful lives are as follows:

Plant and equipment	5 - 20 years
Computer equipment	2 - 3 years
Leasehold improvements	3 - 5 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

*Subsequent Costs*

The consolidated entity recognises in the carrying amount of an item of property, 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**  
for the year ended 30 June 2006

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*Subsequent Costs (cont'd)*

can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

*Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

*Impairment (cont'd)*

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.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**(j) Trade and Other Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity. Trade and other payables are stated at their amortised cost. Trade accounts payable are non-interest bearing and normally settled within 60 days.

**(k) 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 Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables 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.

**(l) Trade and Other Receivables**

Trade and other receivables are stated at amortised cost less impairment losses.

**(m) Inventories**

Inventories held for resale are stated at the lower of cost and net realisable value. Cost comprises cost of raw materials, costs of conversion to finished goods and other costs incurred to bringing the inventories to their present location and condition. This cost is measured using a First In First Out method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as a cost of sale in the year in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write-down or loss occurs.

**(n) Leased assets**

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

*Finance leases*

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Minimum lease payments are apportioned between the finance charge and 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.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

*Operating leases*

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Lease incentives are recognised as liabilities. Lease rental payments are allocated between rental expense and reduction of the liability, on a straight line basis over the period of the incentive.

**(o) Investments**

Investments are classified as being available for sale and are stated at fair value, with any resultant gain or loss recognised directly in equity, except for impairment losses. The Directors determine the fair value at the balance sheet date.

**(p) Interest bearing loans and 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*

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in note 13 *Trade and Other Payables*.

**(q) Share-based payment transactions**

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Company operates an incentive scheme to provide these benefits, known as the C@ Employee Option Scheme ("Scheme").

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Sholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of C@ Limited ('market conditions').

*Share-based payment transactions (cont)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**(r) Segment Reporting**

The consolidated entity operates in one business segment being the provision of optometry related products and services in one geographical segment, Australia.

**(s) Employee Benefits***Defined contribution superannuation funds*

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and sick leave expected to be settled within 12 months are measured at their nominal values based on expected rates of pay including on-cost, such as workers compensation and payroll tax are undiscounted. The provision for long service leave is measured as at present value of the estimated future cash flows.

**(t) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**  
for the year ended 30 June 2006

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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.

*Tax Consolidation*

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is C @ Limited 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.

**(u) 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.

**(v) Share capital***Transaction costs*

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

**(w) Impact of adopting AIFRS**

The impacts of adopting AIFRS on the total equity and loss after tax as reported under previous Australian Generally Accepted Accounting Principles ("AGAAP") are illustrated below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2006

(i) Reconciliation of equity as presented under AIFRS to that under AGAAP

	Note	Consolidated		Company	
		30 Jun 2005	1 Jul 2004	30 Jun 2005	1 Jul 2004
		\$	\$	\$	\$
<b>Total equity under AGAAP</b>		492,263	-	544,472	-
<b>Adjustments to accumulated losses</b>					
Write back of amortization of goodwill	(1)	3,132	-	-	-
<b>Total equity under IFRS</b>		495,395	-	<u>544,472</u>	<u>-</u>

(1) Under AIFRS goodwill and intangible assets with an indefinite useful life are not subject to amortisation but tested for impairment annually. The impact on the results for the consolidated entity is a reduction in losses and an increase in goodwill by \$3,132 for the period ended 30 June 2005. Under AGAAP, goodwill was amortised over 20 years.

(ii) Reconciliation of losses as presented under AIFRS to that under AGAAP

	Consolidated	Company
	30 Jun 2005	30 Jun 2005
	\$	\$
<b>Net loss for the year under AGAAP</b>	(216,587)	(164,378)
Write back of amortisation of goodwill [see (1) above]	3,132	-
<b>Net loss for the year under AIFRS</b>	<u>(213,455)</u>	<u>(164,378)</u>

(iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

**(x) Comparatives**

The comparative figures in these financial statements are in respect of the period from the date of incorporation of the Company on 11 October 2004 to 30 June 2005.

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>2. INCOME AND EXPENSES</b>				
<b>(a) Other income</b>				
Other	420	-	420	-
Interest income	28,367	296	28,367	296
	<u>28,787</u>	<u>296</u>	<u>28,787</u>	<u>296</u>
<b>(b) Other expenses</b>				
Depreciation and amortisation	46,979	19,926	11,097	-
Impairment of inventories	150,000	-	-	-
Impairment of Plant and Equipment	75,000	-	75,000	-
Impairment of intangible assets/controlled entities	375,844	-	354,550	-
Impairment of loans to controlled entities	-	-	1,287,850	-
	<u>647,823</u>	<u>19,926</u>	<u>440,647</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>3. Personnel Expenses</b>				
Wages and salaries	337,795	217,863	167,134	111,475
Other associated personnel expenses	9,726	4,842	-	-
Contributions to defined contribution superannuation funds	41,134	18,798	26,067	11,025
Increase in liability for annual leave	2,083	2,797	-	-
				-
	<u>390,737</u>	<u>244,291</u>	<u>193,202</u>	<u>122,500</u>
<b>4. Net financing costs</b>				
Interest income	(28,787)	(296)	(28,787)	(296)
Financial income	(28,787)	(296)	(28,787)	(296)
Interest expense	25,513	10,062	9,356	5,720
Financial expenses	25,513	10,062	9,356	5,720
Net financing costs (income)	<u>(3,274)</u>	<u>9,766</u>	<u>(19,431)</u>	<u>5,424</u>
<b>5. Auditor's Remuneration</b>				
Audit services				
Auditors of the Company				
<i>KPMG Australia</i>				
Audit and review of financial reports	38,870	11,000	38,870	11,000
	<u>38,870</u>	<u>11,000</u>	<u>38,870</u>	<u>11,000</u>
Investigating accountant's report	22,637	-	22,637	-
	<u>22,637</u>	<u>-</u>	<u>22,637</u>	<u>-</u>
	<u>61,507</u>	<u>11,000</u>	<u>61,507</u>	<u>11,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2006

	<b>Consolidated</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>6. INCOME TAX</b>				
<b>(a) Income tax</b>	-	-	-	-
<b>(b) Numerical reconciliation between tax and pre-tax net loss</b>				
Loss before income tax	(1,577,193)	(213,455)	(2,279,204)	(164,378)
Income tax credit calculated at 30%	473,158	64,037	683,761	49,313
Tax effect on amounts which are not tax deductible:				
Impairment of property, plant and equipment	(22,500)	-	(22,500)	-
Impairment of inventories	(45,000)	-	-	-
Impairment of intangible assets	(112,753)	-	(106,365)	-
Impairment of loans to controlled entities	-	-	(386,355)	-
Sundry amounts	(1,526)	(255)	(1,058)	(255)
Others				
Deferred tax asset not brought to account	(291,379)	(63,782)	(167,483)	(49,058)
Income tax credit	-	-	-	-
<b>(c) Tax losses</b>				
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)				
Potential at 30% (2005: 30%)	353,966	62,587	216,186	48,703
<b>(d) Unrecognised temporary differences</b>				
Temporary differences for which deferred tax assets have not been recognised:				
Employee benefits provision	1,464	839	-	-
Impairment of loans to controlled entities	-	-	386,355	-
Capital raising costs	123,800	-	123,800	-
Unrecognised deferred tax assets relating to the above temporary differences	125,264	839	510,155	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2006

**(e) Tax Rates**

The potential tax benefit at 30 June 2006 in respect of tax losses not brought into account has been calculated at 30% for Australian entities. This same rate applied for the year ended 30 June 2005.

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>7. CASH AND CASH EQUIVALENTS</b>				
Bank balances	423,859	111,329	329,549	103,318
Bank overdrafts	(11,919)	-	-	-
Cash and cash equivalents in the statement of cash flows	411,940	111,329	329,549	103,318
<b>8. TRADE AND OTHER RECEIVABLES</b>				
<i>Current</i>				
Trade receivables	10,699	8,615	-	-
Other receivables	73,968	15,825	38,620	8,308
	84,667	24,440	38,620	8,308
<b>9. INVENTORIES</b>				
Finished goods	263,560	151,465	-	-
Less: provision for impairment	(150,000)	-	-	-
	113,560	151,465	-	-
<b>10. OTHER ASSETS</b>				
<i>Current:</i>				
Deferred expenditure	-	153,030	-	153,030
Prepayments	36,451	22,000	9,800	22,000
Deposits	182,604	-	-	-
Loans to controlled entities	-	-	1,287,500	115,656
Provision for loans to controlled entities	-	-	(1,287,500)	-
Other loans	-	950	-	-
	219,055	175,980	9,800	290,686
<i>Non-Current:</i>				
Unquoted equity investment	12,500	-	12,500	-
*Bank fixed term deposit pledged to bank	220,000	-	-	-
	232,500	-	12,500	-
Investment in controlled entities	-	-	354,550	354,550
Less: impairment decrement	-	-	(354,550)	-
	232,500	-	12,500	354,550

\* This amount represents a security deposit held by the lender as security over an equipment finance facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2006

## 11. PROPERTY, PLANT & EQUIPMENT

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Office Equipment:				
- Opening balance (cost)	8,045	8,045	-	-
- Additions	29,923	-	-	-
- Current year depreciation	(3,705)	(2,005)	-	-
- Accumulated depreciation	(2,005)	-	-	-
	<u>32,258</u>	<u>6,040</u>	<u>-</u>	<u>-</u>
Furniture and Fittings:				
- Opening balance (cost)	163,131	163,131	-	-
- Additions	39,911	-	-	-
- Current year depreciation	(19,079)	(11,293)	-	-
- Accumulated depreciation	(11,293)	-	-	-
	<u>172,670</u>	<u>151,838</u>	<u>-</u>	<u>-</u>
Plant & Equipment				
- Opening balance (cost)	73,250	73,250	-	-
- Additions	385,740	-	385,740	-
- Less: provision for impairment	(75,000)	-	(75,000)	-
- Current year depreciation	(21,108)	(6,507)	(11,097)	-
- Accumulated depreciation	(6,507)	-	-	-
	<u>356,375</u>	<u>66,743</u>	<u>299,643</u>	<u>-</u>
Leasehold Improvements:				
- Opening balance (cost)	1,077	1,077	-	-
- Additions	84,499	-	-	-
- Current year depreciation	(3,087)	(121)	-	-
- Accumulated depreciation	(121)	-	-	-
	<u>82,368</u>	<u>956</u>	<u>-</u>	<u>-</u>
Net Book Value at 30 June 2006	<u>643,671</u>	<u>225,577</u>	<u>299,643</u>	<u>-</u>

Aggregate depreciation and amortisation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.

## 12. INTANGIBLES

	Consolidated	Company
Goodwill		
Balance at 1 July 2004	-	-
Acquisitions through business combinations	375,844	-
Balance 30 June 2005	<u>375,844</u>	<u>-</u>
Balance 1 July 2005	375,844	-
Goodwill impairment	(375,844)	-
<b>Balance 30 June 2006</b>	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>13. TRADE AND OTHER PAYABLES</b>				
<i>Current</i>				
Trade creditors	89,819	37,770	28,231	822
Other payables	19,450	14,960	7,094	200
Other creditors and accruals	60,000	148,600	51,910	148,600
	<u>169,269</u>	<u>201,330</u>	<u>87,325</u>	<u>149,622</u>
<b>14. EMPLOYEE BENEFITS</b>				
<i>Current:</i>				
Liability for annual leave	4,880	2,797	-	-
	<u>4,880</u>	<u>2,797</u>	<u>-</u>	<u>-</u>
<b>15. INTEREST BEARING LIABILITIES</b>				
<i>Current</i>				
Lease liabilities	164,029	55,682	68,491	-
Other interest bearing liabilities	40,670	91,228	20,185	53,768
	<u>204,699</u>	<u>146,910</u>	<u>88,676</u>	<u>53,768</u>
<i>Non-current</i>				
Lease liabilities	480,332	121,677	392,047	-
Other interest bearing liabilities	-	64,423	-	-
	<u>480,332</u>	<u>186,100</u>	<u>392,047</u>	<u>-</u>
<b>16. OTHER FINANCIAL LIABILITIES</b>				
		<b>Note</b>		
<i>Current:</i>				
Loans from Director related entities	25	8,215	32,103	-
		<u>8,215</u>	<u>32,103</u>	<u>9,000</u>
				<u>9,000</u>
<b>17. ISSUED CAPITAL</b>				
<b>Issued capital</b>				
28,728,000 [2005: 16,550,000] fully paid ordinary shares		2,624,116	704,350	
		<u>2,624,116</u>	<u>704,350</u>	<u>2,624,116</u>
				<u>704,350</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2006

**17. ISSUED CAPITAL (CONT)**

The following movements in issued capital occurred during the year:

	Number of Shares 2006	Number of Shares 2005	Consolidated 2006 \$	Consolidated 2005 \$
Balance at beginning of year	16,550,000	-	704,350	-
Issue of shares to Company's founders on 11 October 2004	-	6,000,000	-	600
Issue of shares to raise seed capital	-	8,550,000	-	603,750
Issue of shares to sponsoring broker	-	2,000,000	-	100,000
Issue on listing of shares on 7 December 2005	12,178,000	-	2,435,600	-
Share issue expenses	-	-	(515,834)	-
Balance at end of year	28,728,000	16,550,000	2,624,116	704,350

The issued capital of the consolidated entity and the Company are the same.

	Number of Options 2006	Number of Options 2005	Consolidated 2006 \$	Consolidated 2005 \$
Balance at beginning of year	5,000,000	-	4,500	-
Issue of options to Company founders on 2 August 2005	12,500,000	-	-	-
Issue of options to Mr Harrison on 2 August 2005	500,000	-	30	-
Issue of options pursuant to Initial Public Offering 7 December 2005	6,089,000	-	-	-
Issue of options under Incentive Option Scheme 2 February 2006	200,000	-	-	-
Balance at end of year	11,789,000	5,000,000	4,530	4,500

The issued capital of the consolidated entity and the Company are the same.

**Options**

The following options were issued during the year and remained unexercised at 30 June 2006:

- 6,089,000 options exercisable at \$0.20 each on or before 31 March 2008 issued pursuant to the Company's IPO.
- 500,000 Director options exercisable at 20 cents each on or before 31 March 2008.
- 12,500,000 Founder options exercisable at 20 cents on or before July 1 2010
- 4,500,000 options on 15 June 2005 exercisable at 20 cents on or before 31 March 2008.
- 200,000 options issued under the Company's Incentive Option Scheme exercisable at 20.5 cents each on or before 31 March 2008

The 12,500,000 Founders' Options issued during the year were cancelled after the balance date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2006

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>18. RESERVES</b>				
Balance at the beginning of the year	4,500	-	4,500	-
Share based payment	30	4,500	30	4,500
Balance at the end of the year	4,530	4,500	4,530	4,500

This reserve is used to record the value of equity benefits provided as share based payments.

**19. ACCUMULATED LOSSES**

Accumulated losses at the beginning of the year	(213,455)	-	(164,378)	-
Loss for the year	(1,577,193)	(213,455)	(2,279,204)	(164,378)
Accumulated losses at the end of the year	(1,790,648)	(213,455)	(2,443,582)	(164,378)

**20. FINANCIAL INSTRUMENTS DISCLOSURE**

The Group's principal financial instruments comprise bank loans, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

**Interest rate risk**

Fixed Interest maturing in:

	Average Interest Rate	Variable Interest Rate	1 Year or less	Over 1 to 5 years	More than 5 years	Total
2006	%	\$	\$	\$	\$	\$
<b>Financial Assets</b>						
Cash and cash equivalents	4.5%	411,940	-	-	-	411,940
Security deposits	5.5%			220,000		220,000
		411,940	-	220,000	-	631,940
<b>Financial Liabilities</b>						
Interest bearing liabilities	7.5%	-	(204,699)	(480,332)	-	(685,031)
		-	(204,699)	(480,332)	-	(273,091)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2006

Fixed Interest maturing in:						
2005	Average Interest Rate %	Variable Interest Rate \$	1 Year or less \$	Over 1 to 5 years \$	More than 5 years \$	Total \$
<b>Financial Assets</b>						
Cash and cash equivalents	4.5%	111,329	-	-	-	111,329
		111,329	-	-	-	111,329
<b>Financial Liabilities</b>						
Interest Bearing Liabilities	6.78%	-	(146,910)	(186,100)	-	(333,010)
		-	(146,910)	(186,100)	-	(221,681)

**Foreign currency risk**

The consolidated entity is exposed to foreign currency on purchases that are denominated in a currency other than Australian Dollars. The currencies giving rise to this risk are primarily Euro and US Dollars.

At this stage, the Group does not seek to hedge this exposure.

**Credit risk**

The credit risk on financial assets of the consolidated entity which have been recognised on the balance sheet is generally the carrying amount, net of any provision for doubtful debts.

The Group continuously monitors credit risks arising from its trade receivables which are principally with significant and reputable companies.

The total credit risk exposure of the consolidated entity could be considered to include the difference between the carrying amount of the receivable and the realisable amount. At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

**Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases.

**Fair values**

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their net fair values, determined in accordance with the accounting policies disclosed in note 1 to these financial statements.

21. COMMITMENTS	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>Operating lease commitments</b>				
Future operating lease rentals not provided for in the financial statements and payable:				
Not later than one year	73,456	27,676	-	-
Later than one year but not later than five years	109,739	70,253	-	-
	183,195	97,929	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2006

The consolidated entity leases property under non-cancellable operating leases expiring from one to three years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

COMMITMENTS (cont'd)	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>Finance lease payment commitments</b>				
Finance lease commitments are payable:				
Not later than one year	164,029	55,682	68,491	-
Later than one year but not later than five years	480,332	121,677	392,047	-
	<u>644,361</u>	<u>177,359</u>	<u>460,538</u>	<u>-</u>

## 22. CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Date of Incorporation	Ownership Interest 2006%	Ownership Interest 2005%
<b>Parent Entity</b>				
C@ Limited	Australia	11 October 2004	-	-
<b>Controlled Entities</b>				
C@ Trading Pty Ltd*	Australia	11 October 2004	100	100
C@ Logistics Pty Ltd*	Australia	11 October 2004	100	100
Acura Optical Pty Ltd	Australia	Acquired 2 May 2005	100	100

\*These entities were incorporated as controlled entities of C @ Limited.

## 23. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share at 30 June 2006 was based on the loss attributable to ordinary shareholders at \$1,577,193 (2005: \$213,455) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2006 of 23,389,699 (2005: 8,834,521) calculated as follows:

### Loss attributable to ordinary shareholders

	Consolidated	
	2006	2005
Loss for the period	1,577,193	213,455
Loss attributable to ordinary shareholders	1,577,193	213,455

### Weighted average number of ordinary shares

Issued ordinary shares at 1 July	16,550,000	
Effect of shares issued in December 2005	6,839,699	
Effect of shares issued in prior period		8,834,521
Weighted average number of ordinary shares at 30 June	23,389,699	8,834,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2006

**LOSS PER SHARE (cont'd)****Diluted loss per share**

The calculation of diluted earnings per share at 30 June 2006 was based on loss attributable to ordinary shareholders of \$1,577,193 (2005: \$213,455) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2006 of 23,389,699 (2005: 8,834,521), calculated as follows:

**Loss attributable to ordinary shareholders (diluted)**

Loss attributable to ordinary shareholders	1,577,193	213,455
Loss attributable to ordinary shareholders (diluted)	1,577,193	213,455

**Weighted average number of ordinary shares (diluted)**

	Consolidated	
	2006	2005
Weighted average number of ordinary shares at 30 June	23,389,699	8,834,521
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at 30 June	23,389,699	8,834,521

**24. SEGMENT INFORMATION**

The consolidated entity operates in one business segment being the provision of optometry related products and services and in one geographical segment, Australia.

**25. RELATED PARTIES****(a) Details of key management personnel***Directors*

Mr Andrew Harrison	Director (Non-Executive)
Mr James Martin	Director (Non-Executive)
Mr Gordon Thompson	Director (Non-Executive)
Mr Kevin Holland	Former Executive Director (resigned 3 August 2006)
Mr Andrew Gay	Former Managing Director (resigned 3 August 2006)

**(b) Remuneration of key management personnel by the consolidated entity**

The Board as a whole is responsible for considering remuneration policies and packages applicable both to Board members and executives of the Group. Broadly, the Group's remuneration policy is to ensure that any remuneration package properly reflects the person's duties and responsibilities and that it is competitive.

*Directors*

Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services. Total remuneration for all non-executive Directors is not to exceed \$200,000 per annum.

The Board has not formally constituted a nomination committee or remuneration committee. The whole Board conducts the functions of a nomination committee and remuneration committee.

The Company does not have any scheme relating to retirement benefits for non-executive Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2006

*Group executives*

Certain group executives are entitled to performance linked remuneration designed to reward meeting or exceeding of Group financial objectives. Such remuneration includes sales commission, an annual bonus and entitlement to options to subscribe for fully paid ordinary shares. Each of these performance linked incentives is based on the achievement of sales at or above a targeted price range.

*Service contracts*

The consolidated entity has entered into service contracts with each key management person. The service contract outlines the components of compensation paid to the key management personnel and are reviewed on an annual basis.

The following table provides the details of all key management personnel and the nature and amount of the elements of their remuneration for the year.

	Consolidated		Company	
	2006	2005	2006	2005
Short term employee benefits	284,954	142,315	284,954	142,315
Post-employment benefits	22,917	146	22,917	146
Equity compensation benefits	30	-	30	-
	307,901	142,461	307,901	142,461

**Directors' Interests**

The relevant interest of each current Director and his associated interests in the shares and options over such instruments issued by the companies within the consolidated entity and other related body corporate, as notified by the Director to the Australian Stock Exchange Limited in accordance with s 205G (1) of the Corporations Act 2001, at the date of this report is as follows:

**Options and rights over equity instruments granted as compensation**

The movement during the reporting period in the number of options over ordinary shares in C@ Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Options	Held at 1 July 2005	Granted as compensation	Other Changes	Exercised	Held at 30 June 2006	Vested during the year	Vested and exercisable at 30 June 2006
<b>Directors</b>							
Mr K Holland*	35,000	6,250,000	20,000	-	6,250,000	-	-
Mr A Gay*	10,000	6,250,000	20,000	-	6,250,000	-	-
Mr A Harrison#	-	500,000	-	-	500,000	500,000	-
Mr J Martin#	-	-	2,260,000	-	2,260,000	2,260,000	-
Mr G Thompson	-	-	10,000	-	10,000	10,000	10,000

\*The 12,500,000 founder options issued to Mr Gay and Mr Holland were cancelled in August 2006.

# 500,000 options issued to Mr Harrison, 2.26 mill options issued directly and indirectly to Mr Martin, and options held by Mr Holland and Mr Gay are in escrow for 24 months and therefore cannot be exercised at 30 June 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2006

Options	Held at 1 July 2004	Granted as compensation	Other Changes	Exercised	Held at 30 June 2005	Vested during the year	Vested and exercisable at 30 June 2005
<b>Directors</b>							
Mr K Holland	-	-	35,000	-	-	35,000	35,000
Mr A Gay	-	-	10,000	-	-	10,000	10,000
Mr A Harrison	-	-	-	-	-	-	-
Mr J Martin	-	-	-	-	-	-	-
Mr G Thompson	-	-	-	-	-	-	-

**Movements in shares**

The movement during the reporting period in the number of ordinary shares in C @ Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2005	Purchases	Received on exercise of options	Sales	Held at 30 June 2006
<b>Directors</b>					
Mr K Holland	2,970,000	100,000	-	-	3,070,000
Mr A Gay	2,770,000	50,000	-	-	2,820,000
Mr A Harrison	-	-	-	-	-
Mr J Martin	-	2,660,000	-	-	2,660,000
Mr G Thompson	-	20,000	-	-	20,000

	Held at 1 July 2004	Purchases	Received on exercise of options	Sales	Held at 30 June 2005
<b>Directors</b>					
Mr K Holland	-	2,970,000	-	-	2,970,000
Mr A Gay	-	2,770,000	-	-	2,770,000
Mr A Harrison	-	-	-	-	-
Mr J Martin	-	-	-	-	-
Mr G Thompson	-	-	-	-	-

**Share Options**

Subsequent to the General Meeting held on 27 July 2005, the consolidated entity established an Incentive Option Scheme. The Company granted options for no consideration over unissued ordinary shares in C@ Limited to the following directors as part of their remuneration under this Scheme:

Director	Number of Options Granted	Exercise Price	Expiry Date
Mr A Harrison*	500,000	\$0.20	31 March 2008

\* - held directly or indirectly

**Share Options (cont)**

The estimate of the fair value of the options is measured based on the Black-Scholes formula. The following factors and assumptions were used in determining the fair value of options on grant date:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Fair value of Options</b>	<b>Exercise Price</b>	<b>Price of shares on grant date</b>	<b>Estimated volatility</b>	<b>Risk free interest rate</b>
2 August 2005	31 March 2008	\$0.00006	\$0.20	Nil	14.09%	5.04%

The assumptions underlying the valuation are as follows:

- We have based the underlying value of the each share as the share price at the time of issue, being \$0.10
- The risk free rate of return – this has been taken as 5.040%, based upon the Commonwealth Government 10 year bond rate as at 27th June 2005
- We have determined the volatility of the share price at 14.09% using as the volatility variable the expected average volatility in the entity's industry. This reflects the approach referred to in section 6.3(d) of AASB 1046 referred to above where the options are over shares that are not publicly traded – ie not quoted on ASX, which is the case in this instance. For this purpose we have assessed the standard deviation of the monthly movements in the average Market Indices for the Consumer Discretionary Retail Sector of ASX, covering the last 12 months to 27th June 2005, a summary This gives rise to a standard deviation of 5.04% and a volatility of 14.09%.
- A further discount of 30% has been allowed to allow for the non-negotiability of these shares and options, given that they are not listed on a recognised stock exchange.

**Loans from related entities (Note 16)**

These loans from related entities represent amounts owing to director related entities. The amounts are unsecured, non-interest bearing and are repayable at call. At balance date, the loans are:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Owing to an entity associated with Mr Andrew Gay	8,215	32,103	-	9,000

**26. NON-DIRECTOR RELATED PARTIES DISCLOSURES**

*(a) Equity interests in related parties*

**Equity Interests in Controlled Entities**

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 22 to the financial statements.

*(b) Transactions Within the Wholly-Owned Group*

All transactions that occurred during the financial year between entities in the economic entity were eliminated on consolidation.

*(c) Controlling Entities*

The parent entity in the economic entity is C@ Limited.

**27. NOTES TO THE STATEMENT OF CASH FLOWS**

a) Reconciliation of Cash

*For the purposes of the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:*

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash and bank balances	423,859	111,329	392,549	103,318
Less: Bank overdraft	(11,919)	-	-	-
	<u>411,940</u>	<u>111,329</u>	<u>392,549</u>	<u>103,318</u>

b) Reconciliation of Loss After Income Tax to Net Cash Flows From Operating Activities

Loss after income tax	(1,577,193)	(213,455)	(2,279,204)	(164,378)
<u>Non Cash Activities:</u>				
Depreciation of non-current assets	46,979	19,926	11,097	-
Impairment of property, plant and equipment	75,000	-	75,000	-
Impairment of inventories	150,000	-	-	-
Impairment of intangible assets/controlled entities	375,844	-	354,550	-
<u>(Increase)/decrease in assets:</u>				
Trade and other receivables	(2,084)	(24,440)	-	(8,308)
Inventories	(112,095)	(151,465)	-	-
Other assets	(255,198)	(22,000)	18,112	(22,000)
<u>Increase/(decrease) in liabilities:</u>				
Trade and other payables	(32,061)	249,966	(61,275)	38,403
Employee benefits	2,083	2,797	-	-
<b>Net cash from operating activities</b>	<u>(1,328,725)</u>	<u>(138,671)</u>	<u>(1,881,720)</u>	<u>(156,283)</u>

**28. CONTINGENT LIABILITY**

Subsequent to year end the directors became aware that a supplier claimed the Company had made a commitment to purchase certain equipment. The Company has sought legal advice in regard to this matter and does recognise there to be a formal claim. The amount in dispute is up to \$280,000. As proceedings are not pending directors are unable to determine with certainty the likely outcome.

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement to the year end:

**29. EVENTS SUBSEQUENT TO REPORTING DATE**

Subsequent to the year end:

- (a) Mr A Gay and Mr K Holland resigned as Managing Director and Executive Director respectively of the Company. 12,500,000 Founder Options exercisable at \$0.20 each on or before 1 July 2010 were cancelled. All contractual commitments due to these Directors were also terminated.
- (b) Mr J Martin and Mr G Thompson were appointed as non-executive Directors of the Company.
- (c) A financing facility with a limit of \$500,000 was secured by the Company for general working capital purposes. The facility is provided by an investment fund associated with Mr Martin, a Director of the Company. The facility is based on commercial terms and is convertible into fully paid ordinary shares at an issue price per share equal to the lower of 80% of the volume weighted average market price of shares calculated over the last 5 days on which sales were recorded prior to the day of conversion, or \$0.20 each.

There have not been any other matters or circumstances that have arisen since the end of the year, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' DECLARATION

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In the opinion of the Directors of C@ Limited:

- (a) the financial statements and notes, set out on pages 16 to 43, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity and of the Company as at 30 June 2006 and their performance, as represented by the results of their operations and their cashflows, for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the remuneration disclosures that are contained in sections 1, 2, and 3.1 of the Remuneration report in the Director's report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.
- (c) as set out in Note 1(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2006.

Dated at Perth, Western Australia this 29<sup>th</sup> day of September 2006.

Signed in accordance with a resolution of the Directors:



Andrew Harrison  
Director



## **Independent audit report to members of C @ Limited**

### ***Scope***

#### *The financial report, remuneration disclosures and directors' responsibility*

The financial report comprises the income statements, statements of changes in equity, balance sheets, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both C @ Limited (the "Company") and C @ Limited and its Controlled Entities (the "Consolidated Entity") for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in sections 1, 2 and 3.1 of the directors' report and not in the financial report.

The Remuneration report also contains information in 3.2 not required by Australian Accounting Standard AASB 124 which is not subject to our audit.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report and the Remuneration report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. The directors are also responsible for the remuneration disclosures contained in the directors' report.

#### *Audit approach*

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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



### ***Audit opinion***

In our opinion:

- (1) the financial report of C @ Limited is in accordance with:
  - a) the *Corporations Act 2001*, including:
    - i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and;
    - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) other mandatory financial reporting requirements in Australia; and
- (2) the remuneration disclosures that are contained in sections 1, 2 and 3.1 of the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

### **Inherent uncertainty regarding continuation as a going concern**

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

KPMG

J G Robinson  
Partner

Perth  
29 September 2006



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of C @ Limited

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

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'KPMG' with a checkmark-like flourish underneath.

KPMG

A handwritten signature in black ink that reads 'J G Robinson' in a cursive style.

J G Robinson  
Partner

Perth  
29 September 2006

## SHAREHOLDER INFORMATION

---

### Details of shares and options as at 12 October 2006:

#### Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options do not carry any voting rights.

#### Restricted Securities

*Fully paid ordinary shares*

Number of Shares	Escrow Period
8,574,993	Restricted securities until 20 December 2007

*Listed options exercisable at 20 cents on or before 31 March 2008*

Number of Options	Escrow Period
5,000,000	Restricted securities until 20 December 2007

#### Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Substantial shareholder	Number of Shares
Treeline Nominees Pty Ltd	2,980,000
Brian Lee	2,790,000
Janet Viner <Viner Gay Investment Account>	2,750,000
Marketech Pty Ltd	2,650,000

#### On-Market Buy Back

There is no current on-market buy-back.

#### ASX Admission Statement

During the year, the Company has applied its cash in a way consistent with its business objectives.

#### Distribution schedules

Distribution of each class of security as at 12 October 2006:

*Ordinary fully paid shares*

*Listed options exercisable at 20 cents on or before 31 March 2008*

Range	Holders	Units	%	Range	Holders	Units	%
1 - 1,000	-	-	0.00	1 - 1,000	-	-	0.00
1,001 - 5,000	17	65,469	0.23	1,001 - 5,000	191	952,500	8.59
5,001 - 10,000	199	1,964,613	6.84	5,001 - 10,000	40	320,500	2.89
10,001 - 100,000	188	7,128,399	24.81	10,001 - 100,000	112	2,992,700	26.99
100,001 - Over	44	19,569,519	68.12	100,001 - Over	23	6,823,300	61.53
Total	448	28,728,000	100.00	Total	366	11,089,000	100.00

## SHAREHOLDER INFORMATION (cont'd)

### Distribution schedules (cont'd)

*Employee option scheme*

*Unlisted options exercisable at 20 cents on or before 31 March 2008*

Range	Holders	Units	%
1 - 1,000	-	-	0.00
1,001 - 5,000	-	-	0.00
5,001 - 10,000	-	-	0.00
10,001 - 100,000	-	-	0.00
100,001 - Over	1	500,000	100.00
Total	1	500,000	100.00

*Employee option scheme*

*Unlisted options exercisable at 20.5 cents on or before 28 February 2007*

Range	Holders	Units	%
1 - 1,000	-	-	0.00
1,001 - 5,000	-	-	0.00
5,001 - 10,000	-	-	0.00
10,001 - 100,000	-	-	0.00
100,001 - Over	1	200,000	100.00
Total	1	200,000	100.00

### Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 38,462 as at 12 October 2006):

Holders	Units
26	130,082

### Top holders

The 20 largest registered holders of each class of security as at 12 October 2006 were:

*Fully paid ordinary shares*

Name	No. of Shares	%
1. Janet Viner <Viner Gay Investment Account>	2,750,000	9.57
2. Marketech Pty Ltd	2,650,000	9.22
3. Planmoor Investments Pty Ltd	2,090,000	7.28
4. Treeline Nominees Pty Ltd <The Carbo Family A/C>	1,385,000	4.82
5. Treeline Nominees Pty Ltd <Seca Family A/C>	1,385,000	4.82
6. Antonia Mary Low	800,000	2.78
7. David Hannon	650,000	2.26
8. Pier Cottee	560,000	1.95
9. Michael Smith	450,000	1.57
10. Rossett Pty Ltd <The Merlin A/C>	440,731	1.53
11. Grant Reginald Jephcott	400,000	1.39
12. Michael Sproxton	395,000	1.37
13. Colin Baker	375,000	1.31
14. Aidrie Pty Ltd <Clarke Super Fund A/C>	350,000	1.22
15. David Hannon <Number Two A/C>	325,000	1.13
16. Stuart Marland	250,000	0.87
17. Kim Marland	250,000	0.87
18. Grant Reginald Bruce	250,000	0.87
19. Nicholas Brian Kennedy	225,005	0.78
20. Apsia Pty Ltd	210,000	0.73
	<b>16,190,736</b>	<b>56.34</b>

## SHAREHOLDER INFORMATION (cont'd)

## Top holders (cont'd)

Listed options exercisable at 20 cents on or before 31 March 2008

Name	No. of Options	%
1. Marketech Pty Ltd	2,175,000	19.61
2. Rossett Pty Ltd <The Merlin A/C>	675,000	6.09
3. Brett Steven Larman	425,800	3.84
4. Nicholas Brian Kennedy	377,500	3.40
5. Antonia Mary Low	345,000	3.11
6. Terry James Gardiner	240,000	2.16
7. Pier Cottee	240,000	2.16
8. Beni Tonino Pietropiccolo	205,000	1.85
9. Andrew Christian Aitken	200,000	1.80
10. Paul Anthony Donoghue	200,000	1.80
11. David Hannon <Number Two A/C>	162,500	1.47
12. Kim & Kay Hanson <Hanson Family Super Fund A/C>	160,000	1.44
13. Caron Ann Seitz	155,000	1.40
14. Michael Smith	150,000	1.35
15. CBO Asset Management Pty Ltd	140,000	1.26
16. David Hannon	130,000	1.17
17. Stuart Marland	125,000	1.13
18. Kim MarlnD	125,000	1.13
19. Grant Reginald Bruce	125,000	1.13
20. Michael Sproxton	122,500	1.10
	6,478,300	58.40

