



ANNUAL REPORT 2007

sn<sup>o</sup>wball  
GROUP LIMITED



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# Corporate directory

<b>Directors</b>	A J Brown BA (Econ) Hons <i>Chairman</i>
	A B McDonald BComm LLB <i>Managing Director</i>
	M N Campbell CPA FPS
	R Dhawan BComm CA MBA
	D M Guy LLB M.App.Fin
	Q B Jones BA LLB
<b>Secretary</b>	C F Scarcella BComm FCPA
<b>Notice of annual general meeting</b>	The annual general meeting of Snowball Group Limited <b>will be held at</b> Baker & McKenzie AMP Centre Level 27 50 Bridge Street Sydney NSW 2000 <b>time</b> 10.00 am <b>date</b> Wednesday 28 November 2007
<b>Principal registered office in Australia</b>	Snowball Group Limited 70-76 Yarra Street Heidelberg VIC 3084 Telephone: (03) 8458 0000
<b>Principal administrative office</b>	Snowball Group Limited Level 3, 15-17 Young Street Sydney NSW 2000 Telephone: (02) 9250 1500
<b>Share register</b>	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street Abbotsford VIC 3067 Telephone: 1300 850 505
<b>Auditor</b>	PricewaterhouseCoopers Chartered Accountants Freshwater Place Level 19 2 Southbank Boulevard Southbank VIC 3006
<b>Solicitors</b>	Baker & McKenzie AMP Centre Level 27 50 Bridge Street Sydney NSW 2000
<b>Bankers</b>	St. George Bank Limited 367 Bell Street Preston VIC 3072
<b>Stock exchange listing</b>	Snowball Group Limited shares are listed on the Australian Stock Exchange ("ASX").
<b>Website address</b>	<a href="http://www.sno.com.au">www.sno.com.au</a>

# Chairman's letter to Shareholders

## To Our Shareholders,

Snowball Group earned a statutory net profit of \$4.7 million in fiscal 2007, equivalent to earnings per share of 4.27 cents, fully diluted for options. The Board has resolved to pay a final dividend of 2 cents per share, fully franked, double the payment of a year ago.

Our accounts are not straightforward as a result of the AIFRS treatment of the merger with Western Pacific Financial Group ("WPF"). The statutory accounts represent twelve months of WPF - deemed the acquirer under this reverse merger - along with five months of the Outlook business.

There is inevitable cynicism from certain quarters over the use of "pro-forma" comparatives in management discussions of results. In many cases, such pejorative comments are warranted. We feel, however, that there is reasonable justification to provide a series of sensible comparisons in this instance, namely:

- Pro-forma EBITDA for 2007 was up 32% on the pro-forma 2006 year from \$7.148 million to \$9.420 million, on revenues which increased by 28%;
- This outcome was just over 4.5% above the top end of the guidance issued in August 2006 despite absorbing around \$0.750 million in one-off costs;
- Management's initial guidance for the 2008 fiscal year is for a 15% organic growth rate in EBITDA, assuming no major dislocations in financial markets or acquisitions.

Fiscal 2007 proved, as we suggested, a seminal period for Snowball. Aside from the internal issues of a merger, we had to deal with an external environment which was exceptionally buoyant for our industry. Changes to the taxation of superannuation allied to a fourth successive strong year of returns in Australian equities provided an explosive backdrop to a period where the demand for advice was unprecedented. Those of you who were clients of Outlook and attended our seminars in May 2007, will know that we felt that gains in the value of financial assets - equities and bonds - had contributed to inadequate pricing of risk, and stretched valuations of shares, particularly in Australia. This has only been partly corrected in the last three months, despite extreme market volatility.

There is no better lubricant for transaction activity in the wealth management industry than upwardly moving share prices. Improved viscosity has resulted in peer group public floats, intended IPOs, and recent merger and acquisition transactions amongst our peers. To be frank, despite a more attractive price of our currency - Snowball shares, which rose about 28% between September 2006 and 2007 - we have not found attractive distribution type assets easy to come by. That's despite having a more flexible "owned or franchised" structure for potential Snowballers. Not only have we found prices to be high, but the time horizon of potential vendors seems to have shortened, which naturally reduces the discount rate of their potential income stream to unattractive levels. The Costello superannuation reforms allied to buoyant markets have created a strong sense of vendors wanting to exit near the peak. That's a laudable attitude - "achetez aux canons, vendez aux clarions" (which roughly translates as "buy on the cannons, sell on the trumpets") - but when the soldiers have limited time left in the industry, and the

## Chairman's letter to Shareholders (continued)

recent peaks look hard to scale, you should understand that we are being careful with your capital to ensure we don't buy into what might be construed as a "triple top".

That doesn't mean that we are not continuing to look at distribution assets to purchase from vendors with the right type of attitude and attribute. Not every seller is a rapacious vendor, and there are clear signs in the post June 2007 hiatus that more realistic attitudes might prevail.

That said, there is little doubt that rapid growth in Snowball is propelling us to another strategic turning point, a factor acknowledged by the Board taking time out in late July to discuss our strategic framework in detail.

At the time of writing, we are a company valued at \$115 million by the stock market, have minimal debt and annuity streams accruing from \$4.2 billion of funds under advice. As we noted in this piece last year, we reside extremely close to the customer in the value chain – which we reckon has expanded to potentially leave up to fourteen separate activities between customer and custodian. This ongoing "disaggregation of function" has been driven by forces such as innovation, technology, outsourcing demands and affinity grouping (the quest for the customer).

There has been a clearer acceptance in recent years of a blurring of the boundaries between distribution and manufacturing within the wealth management value chain. A number of listed companies, aside from the major banks, are now offering multiple services on the same dollar of "funds" – advice, administration/platform, management, stockbroking facilitation and even custodial or responsible entity services. This is not unreasonable provided the services offered are fully disclosed, equitably priced and are in the best interests of the client – they derive a genuine benefit from the integrated service. Of course, what this represents is selective "reaggregation" – doing a few more things that they're good at, and continuing to buy-in the ones that they're not.

This assessment is leading us to examine a more vertically integrated model for Snowball than in previous years. Part of what we already do is effectively "fund of funds" management, and we see scope to lessen the amount of external fee leakage, to the benefit of customers and shareholders. As is the case in distribution country, we are being careful not to acquire expensive "real estate" and cash out opportunistic vendors.

Our priority is to capture the available synergies – cost and revenue – for the benefit of existing Snowball shareholders. Our high calibre executive management team has been strengthened by a new group of senior managers, and the increasing input of the WPFG franchises, who have a vested interest in increasing the net worth of Snowball, especially over the next two years or so.

These strategic analyses sit alongside the organic growth opportunities - doing things in a smarter and more efficient manner, topics covered in detail by our Managing Director, Tony McDonald in his report. Tony, Carl Scarcella and the newer management team have once again produced the goods for shareholders. They should be commended, along with the franchisees of the WPFG business who have joined the Snowball Group and contributed ahead of expectations.

## Chairman's letter to Shareholders (continued)

The board needs some commendation as well – it had to go beyond the call of duty to cement the WPGF tie-up and cope with its accounting and legal vagaries – my grateful thanks to the other Directors for their efforts in this respect.

The current year will be an immensely interesting one; strategic challenges, financial markets which are likely to be less congenial, and continuing warp-speed change in the competitive environment. By continuing to exercise discipline, a strong people and performance culture, along with assistance from our suppliers, customers and friends, we will continue to stand out from the crowd. On these scores, we remain very well placed to succeed and continue the growth of Snowball, of which we are immensely proud.



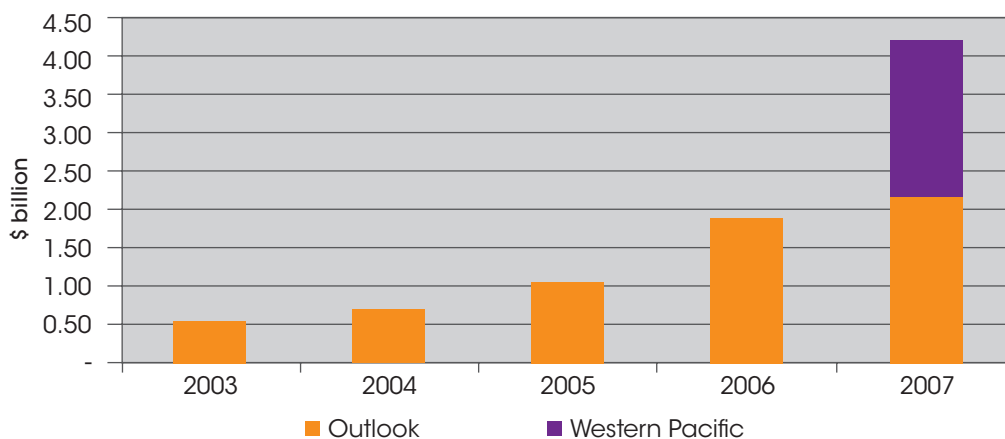
A J Brown  
Chairman  
Sydney  
27 September 2007

# Managing Director's report

## Who we are

We're a lot bigger than we were last financial year. During the 2007 financial year we successfully completed the merger with Western Pacific Financial Group ("**Western Pacific**"), combining the Western Pacific financial planning business with our existing Outlook Financial Solutions ("**Outlook**") business. This merger effectively doubled our funds under advice and increased our annualised gross revenue from a reported \$13.0 million in the 2006 financial year to an annualised \$25.9 million in the 2007 financial year.

Funds under advice has more than doubled  
**Snowball Funds Under Advice**



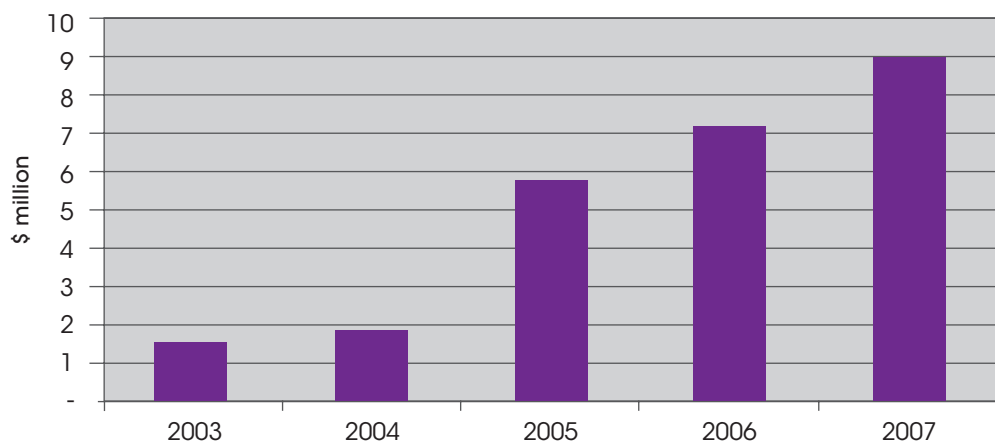
An increase in funds under advice to over \$4.2 billion has delivered revenue synergies for 2006/7 and beyond

**Western Pacific** and **Outlook**, while run as separate distribution businesses, are highly complementary on a number of measures, including geographic reach, target customer base, investment philosophy and the structure of their revenue contributions to Snowball Group Limited ("**Snowball**"). These differences deliver valuable diversification benefits in the form of multiple sales and revenue drivers as well as multiple opportunities for inorganic growth. Both businesses however, share successful track records and common core values (the "ties that bind").

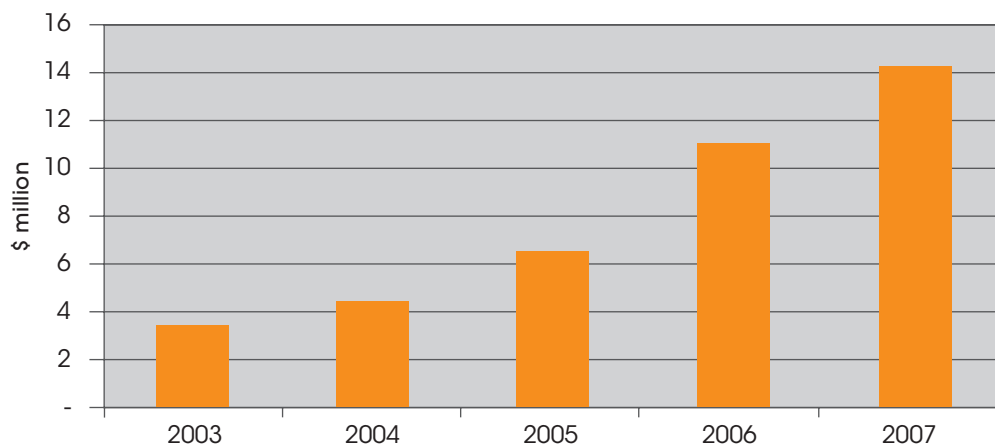
# Managing Director's report (continued)

The successful track records are illustrated by the following diagrams showing revenue growth for each financial year since 2003.

A history of strong growth in financial planning  
... Western Pacific  
**WPFG Revenue**



A history of strong growth in financial planning  
... Outlook  
**OFS Revenue**



# Managing Director's report (continued)

**Western Pacific** currently comprises fifty four advisers, housed within nineteen practices, which are owned and operated by the respective practice principals. Overall, **Western Pacific** has approximately \$2 billion of funds under advice, and specialises in financial services for individuals seeking pre-retirement and retirement advice.

**Outlook** currently comprises twenty eight employed financial planners, including six from the joint venture with Queensland Teachers' Credit Union, operating out of five offices and with approximately \$2.25 billion of funds under advice.

**Outlook** also houses our specialist accounting, tax and self-managed super business, "*Outlook Tax & Accounting Solutions*", made up of sixteen qualified accountants.

These financial planners and accountants provide their services to a broad range of customers (including "accumulators"), with a specialisation in providing advice to individuals via their connection with an employer, credit union or superannuation fund.

As mentioned earlier, the two businesses exhibit common values, an important component of our on-going success. We like to think that the people at **Snowball** "fit the family photo", working well together to deliver a result for all stakeholders.

Our core values are best summarised as follows:

- We "play to win", but we care how we win
- We engage each other, our customers, our suppliers, our shareholders and all our stakeholders with respect
- We are compliant, playing not only by the letter of the law but also observing the spirit of the law.

Further, following the merger, our broad strategy has been consistently applied by the enlarged **Snowball**, and we remain committed to:

- Growing the sales, revenue and profitability of both the **Western Pacific** and **Outlook** advice businesses (the more detailed tactics for pursuing organic growth in each channel being set out below)
- Recruiting (from within or externally) selected advisers in both channels
- "Wholesaling" our advice model to affinity partners seeking advice solutions and services to:
  - Corporations
  - Credit unions
  - Industry and public sector funds
- Growing by acquisition and merger via a number of possible opportunities including:
  - "Tuck-ins" or "bolt-ons" to our existing **Western Pacific** and **Outlook** advice businesses
  - The addition of separate but complementary advice businesses (e.g. a 3<sup>rd</sup> distribution arm operating alongside **Western Pacific** and **Outlook** but sharing the core values and the benefits that scale and our listed status brings)
  - Vertical integration in areas such as portfolio construction or other appropriate "product packaging" lines of services that benefit our advice customers.

# Managing Director's report (continued)

## 2007 Operational Highlights

As mentioned at the outset, 2007 was a seminal year for **Snowball**. During the year we doubled in size (as measured by funds under advice), upon completing the merger with **Western Pacific**. Our overall objective following the merger is quite simply to capitalise on our increased size and scale to position **Snowball** for further growth and to create further opportunities for our customers, shareholders and staff alike.

This significant increase in size has propelled us to a different level of overall operating capability, bringing with it scale and synergy benefits that have principally delivered improved pricing from our outsourcing arrangements (such as portfolio administration platforms and asset management services). It has also enabled us to invest further in our infrastructure so as to increase adviser efficiency and productivity. During the year we also made progress on rolling out our shared services and practice support to both the **Western Pacific** and **Outlook** businesses. Our clear objective in this regard is to enjoy the "best of both worlds". Where there are adviser productivity and efficiency gains or additional intellectual property developed in one business, we seek to explore whether those efficiencies are "exportable" to the other business and, where appropriate, apply those efficiency gains to both. Examples include the deployment of enhancements to our workflow systems and to the servicing of corporate clients in each channel.

Accordingly, along with other operational initiatives in 2007, and assisted by a strong following wind from financial markets, we saw a solid financial result for the year. Our pro-forma operating EBITDA (earnings before interest, tax, depreciation and amortisation) was \$9.42 million, exceeding our market guidance for the year of \$8.50 to \$9.00 million. The pro-forma result was arrived at by combining the stand-alone operating profit (as measured by EBITDA) for each of **Outlook** and **Western Pacific** for the full year to 30 June 2007.

Our 2007 pro-forma EBTDA (i.e. after deducting our interest expense) was \$9.02 million, 31% higher than the pro-forma equivalent for the 2006 financial year.

Revenue growth was 28% higher, reflecting strong performances by each of **Western Pacific** and **Outlook** and the abovementioned revenue synergies flowing from the merger.

It's also worth commenting on the re-investment into the business that took place in 2007. Overall, we invested approximately \$0.750 million back into the business during the year, as part of the process of integrating **Western Pacific** and **Outlook** and as part of initiatives aimed at lifting our adviser productivity and efficiency.

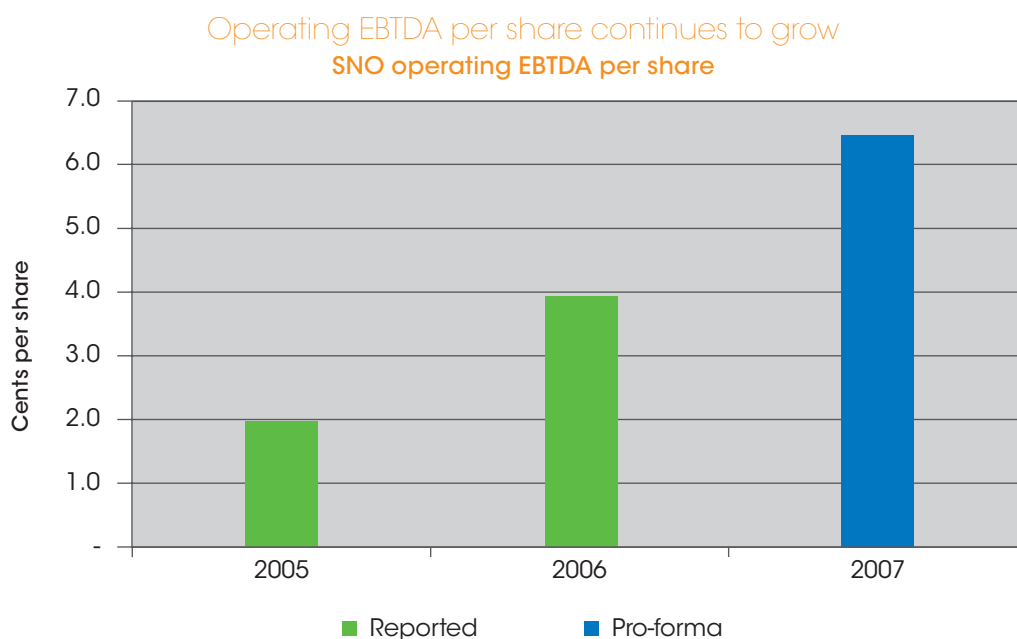
These are one-off costs intended to facilitate further growth in the short to medium term. Specifically, there has been an increase in our management capability as a result of this re-investment in infrastructure, as well as an increase in staff and technology support for the **Outlook** advisers. Further, in 2007 we completed the establishment and roll out of our telephone advice capability, enhancing our ability to service "accumulators" and members or employees of our affinity partners such as corporates, credit unions and industry funds.

## Managing Director's report (continued)

Overall, these initiatives contributed to a 27% increase in revenue per **Outlook** adviser in 2007. **Western Pacific** was also successful in increasing its revenue by 24% in 2007.

This investment in infrastructure will help us to leverage our scale and adviser productivity in 2008 and we expect that expense growth in 2008 will be significantly less than in the 2007 year when this investment took place.

A successful 2007 culminated in the 2 cent per share fully franked dividend, up from 1 cent per share in 2006. Our EPS (earnings per share) has grown steadily over the last three years, as the diagram below shows.



It should also be noted that acquisitions have been a material and important contributor to our EPS growth over time. Since 2001 we have completed and successfully implemented eight acquisitions, culminating in the **Western Pacific** merger in 2007. Each and every acquisition has been EBTDA per share accretive and all have been successfully integrated operationally, exceeding our profit projections made at the time of the acquisition. Acquisition and merger activity remains a core component of our growth strategy.

## The Year Ahead

Our broad strategy has been consistently applied since inception. As mentioned above, we remain committed to providing financial education, guidance and advice to Australians, be they "accumulators", pre-retirees or retirees themselves. We continue to find innovative ways to package product solutions around our advice, such as suitable investment portfolios, the portfolio administration platforms on which those portfolios sit and also other "full advice" product solutions such as mortgage broking, estate planning, and self managed super funds.

# Managing Director's report (continued)

Increasingly, we look to enhance our adviser productivity, providing improved services to existing as well as new customers, while also looking for acquisition opportunities in both the **Western Pacific** and **Outlook** businesses, as well as in addition to those businesses. We are committed to exploring acquisition opportunities both in relation to the giving of advice and in the packaging of appropriate product solutions for our advice customers.

During our planning for the 2008 year, we were driven by a number of factors influencing our industry and our thinking generally. Some of these include:

- Capitalising on the strong relationships we have with a number of affinity partners such as corporates, credit unions and, more recently, industry funds
- Leveraging the investment in our infrastructure following the **Western Pacific** merger
- Continuing to benefit from the increased scale for **Snowball** that followed the merger
- The recent changes to superannuation and the heightened interest in superannuation as a result of these changes
- Rationalisation in our industry as advisers increasingly contemplate succession issues and seek enduring and "like-minded" solutions for their customers
- The growing demand among corporates, super funds, credit unions, industry funds and other organisations to provide appropriate and relevant levels of advice to their members and employees
- The need for heightened investment expertise and solutions, in particular as superannuation assets grow and markets become increasingly complicated and volatile in the current environment.

Specifically in relation to "organic growth" initiatives for each of the **Western Pacific** and **Outlook** businesses, our priorities include:

<b>Western Pacific</b>	<b>Outlook</b>
<p>Supporting the <b>Western Pacific</b> practices to grow their revenue through initiatives such as:</p> <ul style="list-style-type: none"> <li>• Working on new customer lead generation programs</li> <li>• Increasingly sharing services and intellectual property developed within the <b>Snowball</b> Group generally</li> <li>• Assisting the practice owners with adviser and practice efficiency</li> </ul>	<p>Leveraging the enhanced infrastructure within the <b>Outlook</b> business such as our telephone advice capability and our re-organised adviser support mechanisms, including through:</p> <ul style="list-style-type: none"> <li>• Increasing revenue per adviser and profit per employee</li> <li>• Further refining and enhancing the <b>Outlook</b> offer to customers</li> </ul>
<p>Assisting the practices generally with succession issues and the development of staff</p>	<p>Increasing the delivery of the services provided by <b>Outlook Tax &amp; Accounting Solutions</b> to both <b>Outlook</b> and <b>Western Pacific</b></p>

## Managing Director's report (continued)

These and other "organic" initiatives form the cornerstone of our activities for 2008, consistent with our overall strategy and squarely with the intention of delivering at least 15% EBITDA growth for the year. Our merger and acquisition strategy is intended to drive growth further and to deliver additional scale benefits.

Our overall strategy is also intended to create even more opportunities for our staff. As we continue to grow quickly, as we have in the past, new challenges arise for our staff, as well as new opportunities. It is incumbent upon management to ensure that we assist our staff to deal successfully with those challenges as and when they arise, and to maximise the opportunities.

This year we engaged the services of a specialist human resources firm to review our HR structure and processes. This has resulted in a number of initiatives intended to make **Snowball** an even better place to work and to help our staff meet the inevitable challenges head on and to seize on opportunities, for themselves and for all stakeholders. We are planning a number of exciting HR programs during the year – it is a case of continual improvement.

I would like to take this opportunity to thank all our staff for an exciting and seminal year. Our company has moved quickly and changed significantly within a relatively short period of time, compared with much of our industry. It is testament to our people that they can readily adapt, dealing quickly, willingly and passionately with the ensuing challenges. Dealing with change is not easy. At **Snowball** we've had our fair share, much of our own doing and with a degree of success so far. No doubt there is more to come and, I for one am confident that we will continue to deal successfully with further growth and change, as we have in the past.

Our shareholders have again been highly supportive – and we thank them for that, as well as welcoming a number of new institutional shareholders to our register during the course of this year.

I would also like to single out the **Western Pacific** practice principals and their staff for our appreciation and thanks. At one time we drew on a relatively small number of highly successful "Snowballers" for advice, support and a collective contribution to the achievement of our ideals and objectives. In a relatively short period of time, the **Western Pacific** advisers, and their staff, have shown, in equal measure, a willingness to "chip in" and to tackle the issues that count. We now have a far greater number of successful people with "wise heads" on which to rely for counsel and for a significant additional contribution.

It all augers well for an organisation of like minded people, who will, no doubt, continue to stand out from the crowd, relishing the necessary "next organic or inorganic steps", to deliver continued strong growth for our shareholders.



A B McDonald  
Managing Director  
Sydney  
27 September 2007

# Directors' report

30 June 2007

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Snowball Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2007.

## Directors

The following persons were directors of Snowball Group Limited during the whole of the financial year and up to the date of this report:

A J Brown  
A B McDonald  
M N Campbell  
R Dhawan  
Q B Jones

D M Guy was appointed a director on 7 February 2007 and continues in office at the date of this report.

## Principal activities

During the year the principal continuing activities of the Group consisted of the provision of financial education & advice, and accountancy services.

## Significant changes in the state of affairs

Snowball Group Limited is listed on the Australian Stock Exchange. Snowball Group Limited completed the legal acquisition of Western Pacific Financial Group Pty Ltd on 7 February 2007.

*Western Pacific Financial Group will be referred to in this report as "WPFG", the original Snowball prior to that date as "Outlook", and the combined group as "Snowball".*

Under the terms of AASB 3 *Business Combinations*, WPFG was deemed to be the accounting acquirer in the business combination. This transaction has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly, the consolidated financial statements of the Snowball Group Limited group have been prepared as a continuation of the consolidated financial statements of WPFG. WPFG, as the deemed acquirer, has accounted for the acquisition of Outlook from 7 February 2007. The comparative information from 1 July 2005 to 30 June 2006 presented in the consolidated financial statements is that of WPFG.

Refer to Note 1(a) to the Financial Statements for the implications of the application of AASB 3 on each of the financial statements, and refer to Note 31 for further details of the business combination.

# Directors' report (continued)

30 June 2007

## Dividends – Snowball Group Limited

Dividends paid to members during the financial year were as follows:

	2007 \$'000	2006 \$'000
Final dividend for the year ended 30 June 2006 of 1 cent per fully paid share on 6 October 2006		
Fully franked based on tax paid @ 30% - 1 cent per share	608	-
	608	-

In addition to the above dividend, since the end of the financial year the directors have resolved to pay a final ordinary dividend of 2 cents per share, fully franked. The record date for determining the entitlement to this dividend is 28 September 2007.

As explained in Significant Changes in the State of Affairs as set out on page 13, the consolidated financial statements of the Snowball Group Limited group have been prepared as a continuation of the consolidated financial statements of Western Pacific Financial Group Pty Ltd (WPFPG). WPFPG, as the deemed acquirer, has accounted for the acquisition of Outlook from 7 February 2007. The comparative information from 1 July 2005 to 30 June 2006 presented in the consolidated financial statements is that of WPFPG.

As disclosed in the Statement of Changes in Equity on page 60, the consolidated Group paid a dividend of \$3,200,000 in the 2007 financial year (which was paid prior to 7 February 2007) and \$695,000 in the 2006 financial year. These represent the dividends paid by WPFPG to its then shareholders.

## Review of operations

The revenue for the 2007 financial year, as reported on the Income Statement on page 58, is \$16,607,000 (including the share of net profits of associates), an increase of \$9,360,000 (129%) on the 2006 financial year revenue as also reported on that Income Statement. EBITDA (earnings before interest, tax, depreciation and amortisation) for the 2007 financial year as reported on the Income Statement is \$7,729,000, an increase of \$3,282,000 (74%) on the 2006 financial year as reported. The profit after income tax for the 2007 financial year as also reported on the Income Statement is \$4,731,000, which is \$1,704,000 (56%) greater than the 2006 financial year as reported.

As explained more fully in Note 1(a) to the Financial Statements, the results for the period, and the commentary on those results in the above paragraph, comprise seven months of the WPFPG business on a standalone basis and five months of the merged WPFPG and Outlook combination (as defined on page 13), with the comparatives for the 2006 financial year relating to WPFPG alone. Given this accounting treatment, the directors are of the view that in order to aid users of our Annual Report to better assess the performance of the Group in a year of significant change, it is sensible to provide some additional pro-forma financial information.

# Directors' report (continued)

30 June 2007

## Review of operations (continued)

An assessment of the performance of the combined entity on a "like for like" basis can be facilitated by adding together the full year results for each of Outlook and WPGF (the "pro-forma results") for the reporting period, and comparing them to the pro-forma results for the 2006 financial year, as set out in the following table.

	Unaudited Pro-forma results: 12 mths to Jun 07 \$000's	Unaudited Pro-forma results: 12 mths to Jun 06 \$000's	Increase
Revenue from continuing operations & share of associates profit	25,881	20,208	28%
Total operating expenses (excluding interest, depreciation and amortisation)	(16,461)	(13,060)	26%
<b>Operating EBITDA</b>	<b>9,420</b>	<b>7,148</b>	<b>32%</b>
Loss on disposal of 25% interest in subsidiary	(259)	-	-
<b>EBITDA</b>	<b>9,161</b>	<b>7,148</b>	<b>28%</b>
Finance expense	(143)	(286)	(50%)
<b>EBTDA</b>	<b>9,018</b>	<b>6,862</b>	<b>31%</b>

The pro-forma 2006 results have been determined by adding together the comparative Income Statement (representing 12 months of WPGF) as presented on page 58, with the Outlook 2006 Income Statement as presented in the 2006 Annual Report of Snowball Group Limited.

# Directors' report (continued)

30 June 2007

## Review of operations (continued)

The pro-forma 2007 results have been determined by adding together the 2007 financial year Income Statement as presented on page 58, the interim results of Outlook and the results of Outlook for the month of January 2007, as set out in the following table:

	Audited results: 12 mths WPGF & 5 mths Outlook to Jun 07 * \$000's	Reviewed Interim results: 6 mths Outlook to Dec 06 ** \$000's	Unaudited 1 mth Outlook Jan 07 \$000's	Unaudited Pro-forma results: 12 mths WPGF & 12 mths Outlook to Jun 07 \$000's
Revenue from continuing operations & share of associates profit	16,607	7,941	1,333	25,881
Total operating expenses (excluding interest, depreciation and amortisation)	(8,878)	(6,485)	(1,098)	(16,461)
<b>Operating EBITDA</b>	<b>7,729</b>	<b>1,456</b>	<b>235</b>	<b>9,420</b>
Loss on disposal of 25% interest in subsidiary	-	(259)	-	(259)
<b>EBITDA</b>	<b>7,729</b>	<b>1,197</b>	<b>235</b>	<b>9,161</b>
Finance expense	(65)	(70)	(8)	(143)
<b>EBTDA</b>	<b>7,664</b>	<b>1,127</b>	<b>227</b>	<b>9,018</b>

\* Information derived from the Income Statement on page 58.

\*\* Information derived from the Income Statement presented in the Snowball Group Limited Appendix 4E for the six months ended 31 December 2006.

These pro-forma results reflect a number of diverse factors prevalent in the reporting period, predominantly in the second half of the year following the merger of Outlook and WPGF, including:

- Stronger than anticipated revenue growth for both Outlook and WPGF, driven by revenue synergies and the benefit of strong financial markets;
- Over \$0.750 million of one-off expenses attributable to recruitment and other non-capital costs necessary to successfully integrate the WPGF and Outlook businesses and build a sound foundation for sustained growth;
- An increase in expenses necessary to enhance the operating infrastructure of the combined business, and to facilitate and support future growth, in particular an organisational restructure which involved the recruitment of senior management, and the establishment and roll-out of a telephone advice unit; and
- A full year's contribution to both revenue and expenses from the financial planning business acquired by Outlook in October 2005.

# Directors' report (continued)

30 June 2007

## Matters subsequent to the end of the financial year

Subsequent to the end of the financial year, the directors have resolved to pay a fully franked dividend of 2 cents per share. The record date for determining the entitlement to this dividend is 28 September 2007.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the Group's state of affairs in future financial years.

## Likely developments and expected results of operations

In the 2008 fiscal year, Snowball should benefit from higher average levels of funds under advice, which stood at \$4.2 billion at 30 June 2007 (compared to \$1.9 billion at June 2006, prior to the WPFG/Outlook merger), a full year of revenue synergies, absence of the one-off costs relating to the WPFG merger, and the benefits of a number of internal projects designed to further lift efficiency and productivity. Subject to the performance of financial markets, which can have significant primary and secondary effects on funds under advice and the generation of fees and rebates, Snowball's preliminary expectations are that operating EBITDA should grow organically by at least 15% relative to the pro-forma result of fiscal 2007.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe that it would be likely to result in unreasonable prejudice to the Group.

## Environmental regulation

The Group is not subject to significant environmental regulation.

# Directors' report (continued)

30 June 2007

## Information on directors

### **Andrew J Brown BA (Econ) Hons.** *Chairman – Non-Executive Director.*

#### Experience and expertise

Mr Brown is the largest shareholder and Managing Director of Tidewater Investments Limited, a listed investment company specialising in "microcaps" and financial services.

He is the former Head of Equities at Rothschild Australia Asset Management ("RAAM") and has been involved in stockbroking, funds management and corporate investment for 27 years. Prior to establishing Tidewater Investments Limited, he had been an analyst and fund manager at AMP, joining RAAM in 1997. As a director at RAAM, he was responsible for re-engineering Rothschild's equity portfolios, as well as playing a significant role in forging close relationships between Rothschild and leading financial planning groups, including Rothschild's Premier Adviser Group. Mr Brown worked for Rothschild's successor company, Sagitta Wealth Management Limited, until January 2003.

#### Current directorships of other listed companies

Non-Executive Director of Aequus Capital Limited (since April 2005).

Non-Executive Director of Cheviot Bridge Limited (since March 2003).

Non-Executive Director of Fat Prophets Australia Fund Limited (since December 2005).

Non-Executive Director of Enerji Limited (since August 2007).

Managing Director of Tidewater Investments Limited (since May 2003).

#### Former directorships of other listed companies in the last 3 years

Chairman of Retail Star Limited (appointed August 2004; resigned August 2006).

Chairman of Signature Brands Limited (appointed December 2004; resigned July 2006).

Non-Executive Director of Mariner Wealth Management Limited (appointed April 2005; resigned October 2006).

#### Special responsibilities

Chairman of the Board.

Member of the Audit Committee.

Member of the Remuneration Committee.

#### Interests in shares and options at the date of this report

Mr Brown is the Managing Director of Tidewater Investments Limited, and owns 23.9% of that company's shares as at the date of this report. Tidewater Investments Limited and its wholly owned subsidiaries hold 1,506,975 shares in Snowball Group Limited.

# Directors' report (continued)

30 June 2007

## Information on directors (continued)

### **Anthony B McDonald BComm LLB.** *Managing Director.*

#### Experience and expertise

Mr McDonald started his career as a commercial lawyer, working with two of the major international law firms in Australia, London and New York.

Mr McDonald joined the financial services industry as a General Manager for Pacific Mutual Australia Limited. During this period he was also a director of the Investment Funds Association and the Chairman of its Electronic Commerce Sub-Committee.

In 1996, he joined Jardine Fleming Holdings Limited in Hong Kong and returned to Australia in 1999 as a director of Spencer Stuart, the global executive search firm.

Mr McDonald joined the Snowball Group of companies in 2000 as the Managing Director.

#### Current directorships of other listed companies

None.

#### Former directorships of other listed companies in the last 3 years

None.

#### Special responsibilities

Managing Director.

#### Interests in shares and options at the date of this report

2,039,372 shares in Snowball Group Limited.

1,500,000 options in Snowball Group Limited.

# Directors' report (continued)

30 June 2007

## Information on directors (continued)

### **Maxwell N Campbell CPA FPS.** *Executive Director.*

#### Experience and expertise

Mr Campbell is a senior financial planner and Proper Authority holder with the Company's wholly owned subsidiary, Outlook Financial Solutions Pty Ltd (previously CIS Financial Services Pty Ltd). He has over 30 years experience in the financial services industry.

Mr Campbell commenced his career as an accountant with Esso and Containers Limited. He started his own public accounting practice in 1977 and joined the financial planning industry in 1989. Mr Campbell is one of the founding partners of both the Outlook financial planning and accountancy businesses now wholly owned by Snowball Group Limited.

#### Current directorships of other listed companies

None.

#### Former directorships of other listed companies in the last 3 years

None.

#### Special responsibilities

None.

#### Interests in shares and options at the date of this report

2,218,513 shares in Snowball Group Limited.

# Directors' report (continued)

30 June 2007

## Information on directors (continued)

### **Rajeev Dhawan BComm CA MBA. Non-Executive Director.**

#### Experience and expertise

Mr Dhawan is a Partner of Equity Partners.

Mr Dhawan has 14 years venture capital and private equity experience. Prior to joining Equity Partners in 2005, he worked at Hambro-Grantham Management/CFSPÉ from 1993, where he focused on mid size expansion capital and buyouts. He was a Director from 1998 and led the majority of CFSPÉ's investments from then.

Prior to the private equity industry, Mr Dhawan was a Manager in the Financial Consulting Practice of Arthur Andersen.

#### Current directorships of other listed companies

FlexiGroup Limited (since November 2005).

Traffic Technologies (since May 2006) – alternate director.

Portland Orthopaedics Limited (since May 2006) – alternate director.

#### Former directorships of other listed companies in the last 3 years

None.

#### Special responsibilities

None.

#### Interests in shares and options at the date of this report

Mr Dhawan is a director of Equity Partners Two Pty Ltd (EP2), the registered holder of 8,228,125 shares in Snowball Group Limited. EP2 holds those shares on trust for a number of institutional investors, being the investors in the Equity Partners 2 Fund. Mr Dhawan is also a director of Equity Partners Management Pty Limited (EPM), the registered holder of 30,448 ordinary shares in Snowball Group Limited and as at the date of this report entities associated with him own 33.33% of EPM. EPM may potentially benefit from a profit share arrangement with EP2 in relation to the ultimate sale of the shares in Snowball Group Limited held by EP2.

# Directors' report (continued)

30 June 2007

## Information on directors (continued)

### **David M Guy LLB M.App.Fin** *Non-Executive Director.*

#### Experience and expertise

Mr Guy is the Executive Chairman of Officium Group Pty Ltd (formerly Western Pacific Group Holdings Pty Ltd) and Managing Director and Chief Investment Officer of Officium Capital Ltd (a wholly-owned subsidiary of Officium Group Pty Ltd engaged in funds management). Mr Guy has worked in the financial services industry since 1996, primarily in financial planning and funds management, and has extensive experience in those disciplines. Mr Guy is admitted as a Solicitor of the Supreme Court of Queensland and completed his Bachelor of Laws degree in 1993. In 2003 David completed a Masters in Applied Finance and Investment.

#### Current directorships of other listed companies

None.

#### Former directorships of other listed companies in the last 3 years

None.

#### Special responsibilities

Member of the Audit Committee.

Member of the Remuneration Committee.

#### Interests in shares and options at the date of this report

Mr Guy is the Executive Chairman of Officium Group Pty Ltd, and owns 16.98% of that company's shares at the date of this report. Officium Group Pty Ltd and its wholly owned subsidiaries hold 92,067,392 shares in Snowball Group Limited.

# Directors' report (continued)

30 June 2007

## Information on directors (continued)

### **Quentin B Jones BA LLB.** *Non-Executive Director.*

#### Experience and expertise

Mr Jones has been working in the Australian private equity and venture capital industry since 1994, when he joined the private equity investment division of AIDC Limited. Prior to that he worked as a lawyer in the insolvency and corporate divisions of Deacons.

He is a Partner of Equity Partners, a private equity investment manager. In addition to Snowball, Mr Jones represents Equity Partners as a director on the boards of a number of other companies in which Equity Partners has an interest. Mr Jones has served as a director on the Board of the Australian Private Equity & Venture Capital Association (AVCAL) since 2002.

#### Current directorships of other listed companies

None.

#### Former directorships of other listed companies in the last 3 years

None.

#### Special responsibilities

Chairman of the Audit Committee.

Chairman of the Remuneration Committee.

#### Interests in shares and options at the date of this report

Mr Jones is a director of Equity Partners Two Pty Ltd (EP2), the registered holder of 8,228,125 shares in Snowball Group Limited. EP2 holds those shares on trust for a number of institutional investors, being the investors in the Equity Partners 2 Fund. Mr Jones is also a director of Equity Partners Management Pty Limited (EPM), the registered holder of 30,448 ordinary shares in Snowball Group Limited and as at the date of this report entities associated with him own 33.33% of EPM. EPM may potentially benefit from a profit share arrangement with EP2 in relation to the ultimate sale of the shares in Snowball Group Limited held by EP2.

# Directors' report (continued)

30 June 2007

## Company Secretary

The Company Secretary and Chief Operating Officer is Mr Carl F Scarcella BComm FCPA, who commenced employment with Snowball in 2000.

Mr Scarcella commenced his career in chartered accounting. In 1987 he joined Advance Asset Management Limited, where he held senior finance and operations roles. Following the acquisition of Advance by St George Bank, Mr Scarcella was responsible for strategic planning as well as mergers and acquisitions for the funds management division, and in 1999 he was appointed a Director of Advance. During this time, Mr Scarcella served on a number of sub-committees for the Investment Funds Association.

## Meetings of directors

The number of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2007, and the number of meetings attended by each director, were:

Director	Full meetings of directors		Meetings of committees			
	Attended	Eligible to attend	Audit		Remuneration	
			Attended	Eligible to attend	Attended	Eligible to attend
A J Brown	12	12	4	4	4	4
A B McDonald	12	12	-	-	-	-
M N Campbell	11	12	-	-	-	-
R Dhawan	12	12	2	2	-	-
D M Guy	2	2	2	2	1	1
Q B Jones	7	12	4	4	4	4

## Remuneration report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information.

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

## Remuneration report (continued)

### *A Principles used to determine the nature and amount of remuneration (audited)*

The Remuneration Committee advises the Board on remuneration policies and practices generally. It makes specific recommendations on remuneration packages and other terms of employment for the Managing Director and the Chief Operating Officer, having regard to their performance, relevant comparative information, and if appropriate, independent expert advice.

As well as a base salary, remuneration packages may include retirement and termination entitlements, performance-related incentives and fringe benefits. The Remuneration Committee sets quantitative and qualitative objectives to be achieved by the Managing Director and the Chief Operating Officer. These objectives are consistent with the Group's strategic objectives and are linked to the at-risk component of the executives' remuneration. The Committee is responsible for assessing the performance of the Managing Director and the Chief Operating Officer against the predetermined quantitative and qualitative objectives.

The Remuneration Committee is also responsible for making recommendations to the Board in relation to the terms of any issue of equity-based remuneration to employees, as a part of their individual package, or a wider staff incentive and retention scheme, and for ensuring that any such issue is made in accordance with the ASX Listing Rules.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

The Remuneration Committee's terms of reference include responsibility for reviewing any transactions between the Group and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the *Corporations Act 2001* and are appropriately disclosed.

# Directors' report (continued)

30 June 2007

## Remuneration report (continued)

### *B Details of remuneration (audited)*

#### *Amounts of remuneration*

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Group are set out in the following tables.

As explained in Note 1(a) to the Financial Statements, AASB 3 requires that consolidated financial statements prepared following a reverse acquisition shall be issued under the name of the legal parent (i.e. Snowball Group Limited), but be a continuation of the financial statements of the legal subsidiary (i.e. Western Pacific Financial Group Pty Ltd (WPFG) - the acquirer for accounting purposes).

#### *Directors*

The remuneration of directors disclosed is in respect of directors of Snowball Group Limited, the parent entity of the Group.

As the application of AASB 3 as set out in Note 1(a) to the Financial Statements only applies to the consolidated financial statements, the application of AASB 3 has no impact on the director remuneration disclosures. The disclosures therefore represent the remuneration of the directors of Snowball Group Limited for the 2007 financial year and comparative 2006 financial year.

#### *Key Management Personnel*

The implications of the application of AASB 3 on the Key Management Personnel disclosures are as follows:

- The 2007 disclosures represent 5 months of the combined WPFG and Outlook (from February 2007 to June 2007) and 7 months of WPFG (from July 2006 to January 2007).
- The 2006 disclosures represent 12 months of WPFG.

# Directors' report (continued)

30 June 2007

## Remuneration report (continued)

### *B Details of remuneration (audited) (continued)*

In respect of the period February to June 2007 i.e. 5 months of the combined WPFG and Outlook, the following persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly:

<b>Name</b>	<b>Position</b>	<b>Employer</b>
C Scarcella	Chief Operating Officer	Snowball Capital Limited
S Quirk	Group Executive – Business Services *	Snowball Capital Limited
N Collett	Group Executive – Sales	Outlook Financial Solutions Pty Ltd
S Forrest	General Counsel	Snowball Capital Limited
K Wilson	Executive Manager – Dealer Services	Outlook Financial Solutions Pty Ltd
R Ellis	Executive Manager – Accounting and Financial Compliance	Snowball Capital Limited

\* S Quirk was admitted to the executive team during May 2007 when he commenced employment with the Group.

In respect of the period July 2006 to January 2007 i.e. 7 months of WPFG, the following persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly:

<b>Name</b>	<b>Position</b>	<b>Employer</b>
D Guy	Executive Chairman	Officium Group Pty Ltd *
J Nunan	Chief Operating Officer to October 2006, Chief Executive Officer thereafter	Officium Group Pty Ltd *
G Pritchard	Chief Executive Officer until cessation of employment in October 2006	Officium Group Pty Ltd *
N Adams	Financial Controller	Officium Group Pty Ltd *

\* Officium Group Pty Ltd was formerly Western Pacific Group Holdings Pty Ltd. Officium Group Pty Ltd was the parent entity of WPFG until 7 February 2007. Officium Group Pty Ltd is now the ultimate parent entity of Snowball Group Limited.

D Guy, J Nunan and G Pritchard were also key management persons during the 2006 financial year.

N Adams was admitted to the executive team in May 2006.

G Cruse (Chief Financial Officer) and M Jones (Financial Controller) were key management persons during the 2006 financial year. G Cruse ceased employment in April 2006, and M Jones ceased employment in March 2006.

Snowball Group Limited did not employ any personnel during the 2006 and 2007 financial years.

# Directors' report (continued)

30 June 2007

## Remuneration report (continued)

### B Details of remuneration (audited) (continued)

#### Key Management Personnel of the Group

2007	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payment	Total
	Cash salary	Bonus	Director fees	Super-annuation	Termination	Long service leave	Options	
Name	\$	\$	\$	\$	\$	\$	\$	\$
A Brown	-	-	60,000	-	-	-	-	60,000
R Dhawan	-	-	30,000	-	-	-	-	30,000
D Guy	-	-	13,750	-	-	-	-	13,750
(from 7/02/07)	-	-	13,750	-	-	-	-	13,750
Q Jones	-	-	30,000	-	-	-	-	30,000
<b>Sub-total non-executive directors</b>	-	-	<b>133,750</b>	-	-	-	-	<b>133,750</b>
<b>Executive directors</b>								
A McDonald	274,237	225,000	-	12,665	-	-	53,344	565,246
M Campbell	167,640	71,097	-	12,665	-	3,656	-	255,058
<b>Other key management personnel</b>								
C Scarcella *	91,274	100,000	-	4,879	-	-	53,344	249,497
S Quirk *	25,075	-	-	1,464	-	-	11,028	37,567
N Collett *	64,836	20,000	-	4,879	-	-	11,028	100,743
S Forrest *	63,466	-	-	5,711	-	-	-	69,177
K Wilson *	35,286	12,615	-	4,311	-	-	-	52,212
R Ellis *	40,578	-	-	3,652	-	-	-	44,230
D Guy **	32,110	-	-	2,890	-	-	-	35,000
J Nunan **	35,321	24,770	-	5,408	-	-	-	65,499
G Pritchard **	59,058	56,000	-	2,537	900,000	-	-	1,017,595
N Adams **	51,338	11,908	-	5,296	-	-	-	68,542
<b>Totals</b>	<b>940,219</b>	<b>521,390</b>	<b>133,750</b>	<b>66,357</b>	<b>900,000</b>	<b>3,656</b>	<b>128,744</b>	<b>2,694,116</b>

\* As set out on page 27, this employee has been identified as a key management person of the consolidated group from 7 February to 30 June 2007.

\*\* As set out on page 27, this employee has been identified as a key management person of the consolidated group from 1 July 2006 to 6 February 2007. These persons were employed by Officium Group Pty Ltd, formerly Western Pacific Group Holdings Pty Ltd, which was the parent entity of WPFPG until 7 February 2007. The amounts disclosed represent the amount incurred by WPFPG, based on the approximate percentage of time spent by that employee on that entity.

# Directors' report (continued)

30 June 2007

## Remuneration report (continued)

### B Details of remuneration (audited) (continued)

#### Key Management Personnel of the Group

2006 Name	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payment	Total \$
	Cash salary \$	Bonus \$	Director fees \$	Super-annuation \$	Termination \$	Long service leave \$	Options \$	
A Brown	-	-	60,000	-	-	-	-	60,000
R Dhawan (from 14/06/06)	-	-	-	-	-	-	-	-
P Johnson (to 14/06/06)	-	-	30,000	-	-	-	-	30,000
Q Jones	-	-	30,000	-	-	-	-	30,000
<b>Sub-total non-executive directors</b>	-	-	<b>120,000</b>	-	-	-	-	<b>120,000</b>
<b>Executive directors</b>								
A McDonald	241,075	125,000	-	12,118	-	-	17,729	395,922
M Campbell	162,904	54,016	-	12,118	-	886	13,882	243,806
<b>Other key management personnel</b>								
D Guy *	44,350	-	-	3,992	-	-	-	48,342
J Nunan *	82,567	27,523	-	9,908	-	-	-	119,998
G Pritchard *	178,216	45,000	-	10,842	-	-	-	234,058
N Adams *	20,048	-	-	1,805	-	-	-	21,853
G Cruse *	55,974	-	-	4,220	45,000	-	-	105,194
M Jones *	18,991	-	-	1,819	-	-	-	20,810
<b>Totals</b>	<b>804,125</b>	<b>251,539</b>	<b>120,000</b>	<b>56,822</b>	<b>45,000</b>	<b>886</b>	<b>31,611</b>	<b>1,309,983</b>

\* As set out on page 27, this employee has been identified as a key management person of the consolidated group during the 2006 financial year. These persons were employed by Officium Group Pty Ltd, formerly Western Pacific Group Holdings Pty Ltd, which was the parent entity of WPG until 7 February 2007. The amounts disclosed represent the amount incurred by WPG, based on the approximate percentage of time spent by that employee on that entity.

# Directors' report (continued)

30 June 2007

## Remuneration report (continued)

### B Details of remuneration (audited) (continued)

Page 27 identified the following as being key management personnel of the consolidated Snowball Group from 7 February to 30 June 2007:

- C Scarcella
- S Quirk
- N Collett
- S Forrest
- K Wilson
- R Ellis

The table on page 28 discloses the remuneration of the abovementioned for the period 7 February to 30 June 2007 only. The following table discloses the remuneration for the abovementioned for the entire 2007 financial year.

2007	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payment	Total \$
	Cash salary \$	Bonus \$	Director fees \$	Superannuation \$	Termination \$	Long service leave \$	Options \$	
A Brown	-	-	60,000	-	-	-	-	60,000
R Dhawan	-	-	30,000	-	-	-	-	30,000
D Guy (from 7/02/07)	-	-	13,750	-	-	-	-	13,750
Q Jones	-	-	30,000	-	-	-	-	30,000
<b>Sub-total non-executive directors</b>	-	-	<b>133,750</b>	-	-	-	-	<b>133,750</b>
<b>Executive directors</b>								
A McDonald	274,237	225,000	-	12,665	-	-	53,344	565,246
M Campbell	167,640	71,097	-	12,665	-	3,656	-	255,058
<b>Other key management personnel</b>								
C Scarcella	229,258	225,000	-	12,665	-	-	53,344	520,267
S Quirk *	25,075	-	-	1,464	-	-	11,028	37,567
N Collett	150,589	20,000	-	12,665	-	-	11,028	194,282
S Forrest **	63,466	-	-	5,711	-	-	-	69,177
K Wilson	91,567	33,257	-	11,234	-	-	-	136,058
R Ellis	98,977	18,119	-	10,539	-	-	-	127,635
<b>Totals</b>	<b>1,100,809</b>	<b>592,473</b>	<b>133,750</b>	<b>79,608</b>	-	<b>3,656</b>	<b>128,744</b>	<b>2,039,040</b>

\* S Quirk commenced employment on 7 May 2007.

\*\* S Forrest commenced employment on 8 February 2007.

# Directors' report (continued)

30 June 2007

## Remuneration report (continued)

### B Details of remuneration (audited) (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2007	2006	2007	2006	2007	2006
<b>Executive directors of Snowball Group Limited</b>						
A McDonald	51%	64%	40%	32%	9%	4%
M Campbell	72%	72%	28%	22%	-	6%
<b>Other key management personnel of the Group</b>						
C Scarcella *	39%	-	40%	-	21%	-
S Quirk *	71%	-	-	-	29%	-
N Collett *	69%	-	20%	-	11%	-
S Forrest *	100%	-	-	-	-	-
K Wilson *	76%	-	24%	-	-	-
R Ellis *	100%	-	-	-	-	-
D Guy **	100%	100%	-	-	-	-
J Nunan **	62%	77%	38%	23%	-	-
G Pritchard **	52%	81%	48%	19%	-	-
N Adams **	83%	100%	17%	-	-	-
G Cruse **	-	100%	-	-	-	-
M Jones **	-	100%	-	-	-	-

\* As set out on page 27, this employee has been identified as a key management person of the consolidated group from 7 February to 30 June 2007.

\*\* As set out on page 27, this employee has been identified as a key management person of the consolidated group from 1 July 2006 to 6 February 2007, and for the 2006 financial year. These persons were employed by Officium Group Pty Ltd, formerly Western Pacific Group Holdings Pty Ltd, which was the parent entity of WPFPG until 7 February 2007.

### C Service agreements (audited)

Remuneration and other terms of employment for the two Executive Directors and each of the other key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses, other benefits, and participation, when eligible, in the Snowball Group Limited Employee Share Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

#### A McDonald, Managing Director

- Commenced 29 May 2000 for an indefinite term under current employment conditions.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of \$300,000, to be reviewed annually by the remuneration committee.

# Directors' report (continued)

30 June 2007

## Remuneration report (continued)

### C Service agreements (audited) (continued)

#### M Campbell, Executive Director

- Employment contract commenced 1 July 1983 and has an indefinite term.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of \$180,000, to be reviewed annually by the Group Executive – Sales.

#### C Scarcella, Chief Operating Officer

- Commenced 6 November 2000 for an indefinite term under current employment conditions.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of \$250,000, to be reviewed annually by the remuneration committee.

#### S Quirk, Group Executive – Business Services

- Employment contract commenced 7 May 2007 and has an indefinite term.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of \$230,000, to be reviewed annually by the Managing Director and Chief Operating Officer.

#### N Collett, Group Executive – Sales

- Employment contract commenced 10 April 2006 and has an indefinite term.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of \$190,000, to be reviewed annually by the Managing Director and Chief Operating Officer.

#### S Forrest, General Counsel

- Employment contract commenced 8 February 2007 and ceased 31 July 2007.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of \$175,000.

#### K Wilson, Executive Manager – Dealer Services

- Employment contract commenced 9 April 2001 and has an indefinite term.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of \$100,000, to be reviewed annually by the Chief Operating Officer.

#### R Ellis, Executive Manager – Accounting and Financial Compliance

- Employment contract commenced 13 October 2003 and has an indefinite term.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of \$115,000, to be reviewed annually by the Group Executive – Business Services.

### D Share-based compensation (audited)

#### Options

The establishment of the Snowball Group Limited Employee Share Option Plan was approved by shareholders at a general meeting of shareholders on 21 December 2001.

# Directors' report (continued)

30 June 2007

## Remuneration report (continued)

### *D Share-based compensation (audited) (continued)*

#### *Options (continued)*

On 22 April 2002, 848,566 options were issued to 39 eligible employees of the Group who were entitled to be granted options pursuant to the abovementioned plan. Of the 848,566 options, 25% vested on the first anniversary of the date of issue, and the balance were to vest in equal monthly instalments over the two-year period commencing on the first anniversary of the date of issue. On termination of an employee's services for any reason, any options that had not vested were lapsed. All options that had not lapsed were fully vested on 22 April 2005. The exercise price for these options is \$1.00, and the options expired on 22 April 2007.

On 2 July 2004, 3,500,000 options were issued to 21 eligible employees of the Group under a management and staff incentive scheme, who were entitled to be granted options pursuant to the abovementioned plan. The options were divided equally among three tranches, and on the vesting date for each tranche, those options vested if the listed price was greater than the target price. Partial vesting of the options occurred if, on the vesting date, the listed price was greater than the minimum vesting price, but lower than the target price. The exercise price for these options is \$0.20, and the options expire five years after the vesting date for each of the tranches.

On 26 October 2005, 3,600,000 options were issued to 20 eligible employees of the Group under a management and staff incentive scheme, who were entitled to be granted options pursuant to the abovementioned plan. There were two vesting periods – the early vesting window and the normal vesting window. The options fully vested during the early vesting window, as the listed price was greater than the target price. Had the options not vested during the early vesting window, the options would have vested in the normal vesting window if the listed price was greater than the target price, or partial vesting of the options would have occurred if, on the vesting date for the normal vesting window, the listed price was greater than the minimum vesting price, but lower than the target price. The exercise price for these options is \$0.40, and the options expire five years after the vesting date.

On 7 February 2007, 3,000,000 options were issued to Tony McDonald and Carl Scarcella, who were entitled to be granted options pursuant to the abovementioned plan. The options are divided equally among five tranches, and on the vesting date for each tranche, those options vest if the option holder is employed by Snowball Group Limited, or a subsidiary of it, at that vesting date. The exercise price for each tranche of options is \$0.69, \$0.79, \$0.91, \$1.05 and \$1.21 respectively. The options within each tranche expire four years after vesting date for the first and second tranches, three years after vesting date for the third and fourth tranches, and two years after vesting date for the fifth tranche.

# Directors' report (continued)

30 June 2007

## Remuneration report (continued)

### D Share-based compensation (audited) (continued)

#### Options (continued)

On 27 March 2007, 1,000,000 options were issued to Simon Quirk and Nick Collett, who were entitled to be granted options pursuant to the abovementioned plan. The options are divided equally among five tranches, and on the vesting date for each tranche, those options vest if the option holder is employed by Snowball Group Limited, or a subsidiary of it, at that vesting date. The exercise price for each tranche of options is \$0.83, \$0.93, \$1.04, \$1.16 and \$1.30 respectively. The options within each tranche expire four years after vesting date for the first and second tranches, three years after vesting date for the third and fourth tranches, and two years after vesting date for the fifth tranche.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant Date	Date vested and exercisable	Expiry Date	Exercise Price	Value per option at grant date
2 July 2004	Tranche 1: 31 December 2004  Tranche 2: 30 June 2005  Tranche 3: 30 June 2006	Tranche 1: 31 December 2009  Tranche 2: 30 June 2010  Tranche 3: 30 June 2011	Tranche 1: \$0.20  Tranche 2: \$0.20  Tranche 3: \$0.20	Tranche 1: Executive: \$0.022; Non-Executive: \$0.020 Tranche 2: Executive: \$0.020; Non-Executive: \$0.019 Tranche 3: Executive: \$0.037; Non-Executive: \$0.035
26 October 2005	14 April 2007	14 April 2012	\$0.40	Executive \$0.069; Non-Executive: \$0.065
7 February 2007	Tranche 1: 31 December 2007 Tranche 2: 31 December 2008 Tranche 3: 31 December 2009 Tranche 4: 31 December 2010 Tranche 5: 31 December 2011	Tranche 1: 31 December 2011 Tranche 2: 31 December 2012 Tranche 3: 31 December 2012 Tranche 4: 31 December 2013 Tranche 5: 31 December 2013	Tranche 1: \$0.69 Tranche 2: \$0.79 Tranche 3: \$0.91 Tranche 4: \$1.05 Tranche 5: \$1.21	Tranche 1: \$0.243 Tranche 2: \$0.227 Tranche 3: \$0.198 Tranche 4: \$0.173 Tranche 5: \$0.136
27 March 2007	Tranche 1: 31 December 2007 Tranche 2: 31 December 2008 Tranche 3: 31 December 2009 Tranche 4: 31 December 2010 Tranche 5: 31 December 2011	Tranche 1: 31 December 2011 Tranche 2: 31 December 2012 Tranche 3: 31 December 2012 Tranche 4: 31 December 2013 Tranche 5: 31 December 2013	Tranche 1: \$0.83 Tranche 2: \$0.93 Tranche 3: \$1.04 Tranche 4: \$1.16 Tranche 5: \$1.30	Tranche 1: \$0.202 Tranche 2: \$0.189 Tranche 3: \$0.162 Tranche 4: \$0.143 Tranche 5: \$0.122

# Directors' report (continued)

30 June 2007

## Remuneration report (continued)

### D Share-based compensation (audited) (continued)

#### Options (continued)

Options granted under the plan carry no dividend or voting rights.

Details of options over ordinary shares in the Company provided as remuneration to each director of Snowball Group Limited and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Snowball Group Limited. Further information on the options is set out in Note 38 to the Financial Statements.

	Number of options granted during the year		Number of options vested during the year	
	2007	2006	2007	2006
<b>Directors of Snowball Group Limited</b>				
A McDonald	1,500,000	625,000	625,000	196,666
M Campbell	-	475,000	475,000	171,666
<b>Other key management personnel of the Group</b>				
C Scarcella *	1,500,000	625,000	625,000	195,000
S Quirk *	500,000	-	-	-
N Collett *	500,000	-	-	-
S Forrest *	-	-	-	-
K Wilson *	-	100,000	100,000	16,666
R Ellis *	-	100,000	100,000	-
D Guy **	-	-	-	-
J Nunan **	-	-	-	-
G Pritchard **	-	-	-	-
N Adams **	-	-	-	-
G Cruse **	-	-	-	-
M Jones **	-	-	-	-

\* As set out on page 27, this employee has been identified as a key management person of the consolidated group from 7 February to 30 June 2007.

\*\* As set out on page 27, this employee has been identified as a key management person of the consolidated group from 1 July 2006 to 6 February 2007, and for the 2006 financial year.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

# Directors' report (continued)

30 June 2007

## Remuneration report (continued)

### D Share-based compensation (audited) (continued)

#### Options (continued)

The model inputs for options granted during the year ended 30 June 2007 included:

- (a) 4,000,000 options are granted for no consideration.
- (b) The options are divided equally among five tranches.
- (c) The vesting date for each tranche is as follows: 31 December 2007, 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011.
- (d) On the vesting date for each tranche, the options vest if the option holder is employed by Snowball Group Limited, or a subsidiary of it, at that vesting date.
- (e) Exercise price:
  - For the options granted on 7 February 2007: the exercise price for each tranche of options is \$0.69, \$0.79, \$0.91, \$1.05 and \$1.21.
  - For the options granted on 27 March 2007: the exercise price for each tranche of options is \$0.83, \$0.93, \$1.04, \$1.16 and \$1.30.
- (f) Grant date: 7 February 2007 for 3,000,000 options, and 27 March 2007 for 1,000,000 options.
- (g) Expiry date: Tranche 1 – 31 December 2011; Tranche 2 – 31 December 2012; Tranche 3 – 31 December 2012; Tranche 4 – 31 December 2013; and Tranche 5 – 31 December 2013.
- (h) Share price at grant date: \$0.85 at 7 February 2007 and \$0.75 at 27 March 2007.
- (i) Expected volatility of the Company's shares: 35%. The expected volatility is based on a consideration of the historic volatility of the share price of Snowball Group Limited shares, and the historical volatility of shares prices of Australian listed companies operating in the same or similar sectors as Snowball Group Limited.
- (j) Expected dividend yield: assumed half a cent dividend growth rate per annum.
- (k) Risk-free interest rate: 5.84%.

The model inputs for options granted during the year ended 30 June 2006 included:

- (a) 3,600,000 options are granted for no consideration.
- (b) There were two vesting periods – the early vesting window (15 February 2007 to 15 August 2007) and the normal vesting window (15 August 2007 to 15 October 2007). The options fully vested during the early vesting window, as the listed price was greater than the target price. Had the options not vested during the early vesting window, the options would have vested in the normal vesting window if the listed price was greater than the target price, or partial vesting of the options would have occurred if, on the vesting date for the normal vesting window, the listed price was greater than the minimum vesting price, but lower than the target price. The minimum vesting price and target price ranged from \$0.56 to \$0.70.
- (c) Exercise price: \$0.40.
- (d) Grant date: 28 October 2005.
- (e) Expiry date: five years after the vesting date, being 14 April 2012.
- (f) Share price at grant date: \$0.38.

# Directors' report (continued)

30 June 2007

## Remuneration report (continued)

### D Share-based compensation (audited) (continued)

#### Options (continued)

- (g) Expected volatility of the Company's shares: 40%. The expected volatility is based on a consideration of the historic volatility of the share price of Snowball Group Limited shares, and the historical volatility of shares prices of Australian listed companies operating in the same or similar sectors as Snowball Group Limited.
- (h) Expected dividend yield: nil.
- (i) Risk-free interest rate: 5.48%.

#### Shares provided on exercise of remuneration options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of Snowball Group Limited and other key management personnel of the Group are set out below.

	Date of exercise of options	Amount paid per share on exercise of options	Number of ordinary shares issued on exercise of options during year	
			2007	2006
<b>Directors of Snowball Group Limited</b>				
M Campbell	29 June 2007	\$0.20	<b>400,000</b>	

No amounts are unpaid on any shares issued on the exercise of options.

#### Employee share scheme

No shares were issued under the Company's employee share scheme during the financial years ended 30 June 2006 and 30 June 2007.

### E Additional information - unaudited

#### Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

The overall level of executive reward takes into account the objectives of the Group over the short to longer term. Accordingly, all senior executives:

- Have an at risk component of their salary which is subject to that person achieving pre-determined performance conditions set in consideration of the objectives of the Group as a whole; and
- Participate in a longer term incentive scheme in the form of equity based compensation, which has historically consisted of options. The options have vesting conditions which are tied to increases in the share prices of the Company and / or continuity of employment.

# Directors' report (continued)

30 June 2007

## Remuneration report (continued)

### E Additional information - unaudited (continued)

#### Details of remuneration: cash bonuses and options

For each bonus and grant of options included in the tables on pages 28 to 30, 34 and 35, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, the percentage that was forfeited because the person did not meet the services and performance criteria, and the amount that is payable in future years, is set out below. The options vest when the vesting conditions are satisfied (see page 36). No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has assumed that the target price is met for those options and / or the continuity of employment (see page 36).

Name	Cash Bonus		Options					
	Paid %	Forfeited %	Year granted	Vested % *	Forfeited % *	Financial years in which options may vest	Min. total value of grant yet to vest \$	Max. total value of grant yet to vest \$
A McDonald	100	-	2007	-	-	2008 to 2012	Nil	233,213
M Campbell	100	-	-	-	-	-	-	-
C Scarcella *	100	-	2007	-	-	2008 to 2012	Nil	233,213
S Quirk *	-	-	2007	-	-	2008 to 2012	Nil	64,977
N Collett *	100	-	2007	-	-	2008 to 2012	Nil	64,977
S Forrest *	-	-	-	-	-	-	-	-
K Wilson *	100	-	-	-	-	-	-	-
R Ellis *	-	-	-	-	-	-	-	-
D Guy **	-	-	-	-	-	-	-	-
J Nunan **	100	-	-	-	-	-	-	-
G Pritchard **	100	-	-	-	-	-	-	-
N Adams **	100	-	-	-	-	-	-	-
G Cruse **	-	-	-	-	-	-	-	-
M Jones **	-	-	-	-	-	-	-	-

\* As set out on page 27, this employee has been identified as a key management person of the consolidated group from 7 February to 30 June 2007.

\*\* As set out on page 27, this employee has been identified as a key management person of the consolidated group from 1 July 2006 to 6 February 2007, and for the 2006 financial year.

# Directors' report (continued)

30 June 2007

## Remuneration report (continued)

### E Additional information - unaudited (continued)

#### Details of remuneration: cash bonuses and options (continued)

Further details relating to options are set out below.

Name	A	B	C	D	E
	Remuneration consisting of options	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Total of columns B-D
		\$	\$	\$	\$
A McDonald	9.44%	233,213	-	-	233,213
M Campbell	-	-	13,484	-	13,484
C Scarcella *	21.38%	233,213	-	-	233,213
S Quirk *	29.36%	64,977	-	-	64,977
N Collett *	10.95%	64,977	-	-	64,977
K Wilson *	-	-	-	-	-
R Ellis *	-	-	-	-	-
D Guy **	-	-	-	-	-
J Nunan **	-	-	-	-	-
G Pritchard **	-	-	-	-	-
N Adams **	-	-	-	-	-

\* As set out on page 27, this employee has been identified as a key management person of the consolidated group from 7 February to 30 June 2007.

\*\* As set out on page 27, this employee has been identified as a key management person of the consolidated group from 1 July 2006 to 6 February 2007.

A = The percentage of the value of remuneration consisting of options, based on the value at grant.

B = The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

# Directors' report (continued)

30 June 2007

## Shares under option

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

Date options granted	Expiry Date	Exercise price of options	Number under option
2 July 2004	Tranche 1: 31 December 2009	\$0.20	355,000
	Tranche 2: 30 June 2010	\$0.20	267,627
	Tranche 3: 30 June 2011	\$0.20	355,000
26 October 2005	14 April 2012	\$0.40	1,445,000
7 February 2007	Tranche 1: 31 December 2011	\$0.69	600,000
	Tranche 2: 31 December 2012	\$0.79	600,000
	Tranche 3: 31 December 2012	\$0.91	600,000
	Tranche 4: 31 December 2013	\$1.05	600,000
	Tranche 5: 31 December 2013	\$1.21	600,000
27 March 2007	Tranche 1: 31 December 2011	\$0.83	200,000
	Tranche 2: 31 December 2012	\$0.93	200,000
	Tranche 3: 31 December 2012	\$1.04	200,000
	Tranche 4: 31 December 2013	\$1.16	200,000
	Tranche 5: 31 December 2013	\$1.30	200,000
			6,422,627

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

## Shares issued on the exercise of options

The following ordinary shares of Snowball Group Limited were issued during the year ended 30 June 2007 on the exercise of options. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
2 July 2004	\$0.20	542,314
26 October 2005	\$0.40	215,000
		757,314

# Directors' report (continued)

30 June 2007

## Insurance of officers

During the financial year, the Group paid a premium to insure the directors, the secretary and executive officers of the Company and its Australian-based controlled entities. In accordance with normal commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

## Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

## Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

# Directors' report (continued)

30 June 2007

## Non-audit services (continued)

	Consolidated	
	2007 \$	2006 \$
<b>(a) Assurance services</b>		
<i>Audit services</i>		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the Corporations Act 2001	203,429	-
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	-	5,285
Total remuneration for audit services	203,429	5,285
Total remuneration for assurance services	203,429	5,285
<b>(b) Taxation services</b>		
PricewaterhouseCoopers Australian firm		
Tax consolidation advice	2,000	-
Other taxation advice	18,600	-
Total remuneration for taxation services	20,600	-

## Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 44.

## Rounding of amounts

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

# Directors' report (continued)

30 June 2007

## Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.



A J Brown  
Chairman  
Sydney  
27 September 2007

**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

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## Auditor's Independence Declaration

As lead auditor for the audit of Snowball Group Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Snowball Group Limited and the entities it controlled during the period.



Charles Christie  
Partner  
PricewaterhouseCoopers

Melbourne  
27 September 2007

# Corporate governance statement

30 June 2007

The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance these sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The Board draws on relevant corporate governance best practice principles to assist it to contribute to the performance of the Group. As noted in the last Corporate Governance Statement, following a review of all corporate governance policies and procedures, the Board adopted a number of new and revised policies and procedures in September 2006. The purpose of the review was to enhance the existing corporate governance framework and confirm that the Group's corporate governance documents reflected current practice and were suitable to the needs of the Company.

Snowball is committed to maintaining high standards of corporate governance appropriate to the size and operations of the Company and the Company complies with all Australian Stock Exchange ("ASX") Corporate Governance Council Best Practice Recommendations ('ASX Recommendations'), unless otherwise stated. All corporate governance documents noted in this Statement are available on the Company's website [www.sno.com.au](http://www.sno.com.au).

Day to day management of the Group's affairs and implementation of corporate strategy and policy initiatives are delegated by the Board to the Managing Director and the senior management team.

## Principle 1: Lay solid foundations for management and oversight

### *The Board's Responsibilities*

The Board is responsible for the overall corporate governance of the Group including its strategic direction, establishing goals for management and monitoring the achievement of these goals. To assist in the execution of its responsibilities, the Board has established an Audit Committee and a Remuneration Committee.

The Board formalised its roles, responsibilities and general operations through the adoption of a Board Charter in September 2006. The primary responsibilities of the Board are outlined in the Board Charter and include:

- Setting the criteria for Board membership and reviewing the composition of the Board;
- Establishing the long term goals of the Group, and working with management to develop strategic and business plans to achieve those goals;
- Monitoring implementation of the Group's strategic and business plans and its financial performance;
- Appointing, and assessing the performance of, the Managing Director and the Chief Operating Officer;

# Corporate governance statement (continued)

30 June 2007

- Ensuring there is an effective internal control environment and appropriate monitoring activities in place to identify and manage any significant risks facing the Group;
- Approving major corporate initiatives;
- Approving of the Group's annual and half-year financial reports;
- Enhancing and protecting the reputation of the organisation;
- Reporting to shareholders and the market; and
- Conducting an annual review of the Board Charter.

The Charter also includes details of:

- Its performance review process;
- The procedure for directors to seek independent professional advice at the Company's expense; and
- The responsibilities of the Chairman, Managing Director and Company Secretary.

## *Management's Responsibilities*

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and for implementing the policies and strategy set by the Board. In carrying out his responsibilities the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial position and operational results. Clear lines of communication between the Chairman and the Managing Director are established and the Managing Director consults with the Chairman, in the first place on matters which are sensitive, extraordinary or of a strategic nature.

The role of the senior management team is to support the Managing Director and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

## Principle 2: Structure the board to add value

### *The Board*

The Board's aim is to ensure the Company has an appropriate mix of executive and non-executive directors with relevant expertise and experience to enable the Board to perform its duties with an effective understanding of the business and the operating environment. Currently the Board comprises two executive directors, one of which is the Managing Director, and four non-executive directors one of which is the Chairman.

In February 2007 the Company acquired Western Pacific Financial Group Pty Ltd (WPFG) and the Company substantially increased in scale as a result of this acquisition. To reflect this change and the Company's objective to maintain good corporate governance practices relative to the size and operations of the Company, it was considered appropriate that the composition of the Board change. These changes have commenced with the appointment of Mr David Guy, a new non-executive director. The Company is currently considering further revisions to the Board composition including the appointment of a new independent non-executive director.

# Corporate governance statement (continued)

30 June 2007

The Board reviews the independence of its Directors at least annually and on an ad-hoc basis when circumstances change. The Company's definition of independence is in line with Box 2.1 of the ASX Recommendations applicable to this reporting year, and is outlined in the Board Charter.

The Chairman, Mr Andrew Brown, has met the requirements for independence since October 2006 when Tidewater Investments Limited (previously Trent Capital Limited) divested its substantial shareholding in the Company, as the Chairman is no longer associated directly with a substantial shareholder of the Company. Currently, the Chairman is the only independent Director, as the other three non-executive directors (Mr Quentin Jones, Mr Rajeev Dhawan and Mr David Guy) are directly associated with substantial shareholders in the Company, and accordingly do not satisfy the test of independence.

Whilst the composition of the Board does not reflect a majority of independent directors, the Board believes that its composition has been appropriate to enable it to discharge its duties in the best interests of shareholders, given the relevant expertise and experience of the non-executive directors.

It is the Board's policy to consider the appointment and retirement of non-executive directors on a case by case basis. In doing so, the Board will take into account the requirements of the ASX Listing Rules and the *Corporations Act 2001*.

Currently all directors other than the Managing Director are required to be re-elected by shareholders at least every three years and at least one-third of such directors must retire at each annual general meeting. Due to the requirement for shareholder re-election, directors are not appointed for a fixed term.

## *Board Meetings*

Each director must declare any potential conflict of interest in relation to any matter for Board consideration, and must not participate in discussions or resolutions pertaining to any matter in which that director has a material personal interest.

In fulfilling their duties, each director and each committee of the Board dealing with corporate governance matters may obtain independent professional advice at the Group's expense, subject to prior written approval of the Chairman of the Company.

## *Nomination Committee*

There was no Nomination Committee at year end. The Board Members decided that due to the size and composition of the Board, no efficiencies would be achieved by establishing a separate Nomination Committee. The whole Board carries out the functions which would otherwise be undertaken by the Nomination Committee.

# Corporate governance statement (continued)

30 June 2007

## Principle 3: Promote ethical and responsible decision-making

### *Integrity and Accountability*

During the year the Company had a Code of Conduct in place which set out principles and practices to promote integrity and accountability and documented the underlying values of the Group which apply to all its business dealings.

Due to its close knit and compliance-focused culture, the Company has also been able to promote integrity in its dealings and accountability of individuals for reporting unethical practices through the ability of its Board, the Managing Director and the senior management team to oversee the Company's operations. This integrity and accountability has continued following the successful integration of WPFG.

In September 2006 the Company enhanced the Code by:

- Providing further guidance on the Company's principles and practices;
- Outlining the responsibility and accountability of individuals for reporting and investigating reports of unethical practices; and
- Confirming the Board and Senior Executive's commitment to the Code and to assisting employees to understand and comply with the Code.

The Code applies to all employees, directors and officers of Snowball and its subsidiary companies and references other Snowball policies and procedures to provide further guidance where necessary.

### *Ethical Standards*

The Board endeavours to ensure that the directors, officers and employees of the Group act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The Company's ethical standards and expected ethical behaviour are discussed in the Code of Conduct, and cover the following general areas:

- Compliance with and respect of applicable laws;
- Respectful treatment of others;
- Honesty, fairness and integrity in dealings with others;
- Confidentiality of information;
- Responsible use of the Group's property;
- Personal accountability for actions and their consequences;
- Conflicts of interest; and
- Gifts and benefits.

# Corporate governance statement (continued)

30 June 2007

## *Trading in Company Securities*

Under the Company's share trading policy, directors, officers and employees may trade in the Company's securities during the following periods:

- 6 weeks after the announcement of half-year and annual profit results;
- 6 weeks after the Annual General Meeting; or
- Any other period declared by the Board, or in exceptional circumstances, the Chairman.

Further, all directors and employees must satisfy themselves that they are not in possession of any price sensitive information, which is not generally available to the public prior to trading in securities and regulates trading by directors and employees through the abovementioned trading windows.

Compliance with these policies is audited via the Quarterly Management Compliance Questionnaire and any significant issues are reported to the Board.

Specific procedural steps required prior to trading are set for directors, the Chief Executive Officer and Chief Operating Officer, Executive Managers (or equivalent) and all other employees which reflect their differing roles and potential exposure to inside information.

For example, directors must consult the Chairman (who confers with all Board members) prior to trading and must not trade unless in a specific trading window and until approval has been given.

This system also provides for a yearly review and audit procedure to ensure that:

- The System is compliant with existing legal obligations;
- Key staff comply with obligations under the System; and
- The System is meeting its purpose and is appropriate to the circumstances of the Company.

## Principle 4: Safeguard integrity in financial reporting

### *Financial Reports*

The Group Executive - Business Services is responsible for ensuring that the Company's financial reports are prepared in accordance with relevant accounting standards. Monthly financial reports are distributed to the Board. The annual and half yearly financial reports, and any other financial reports for release to the market, are presented for review by the Audit Committee prior to their adoption by the Board.

# Corporate governance statement (continued)

30 June 2007

All annual and half-yearly financial reports presented to the Board have been reviewed by the Managing Director and Chief Operating Officer who confirm in writing to the Board that the relevant report represents a true and fair view of the Company's financial position in all material respects and is in order for adoption by the Board.

## *Audit Committee*

The Audit Committee, established in February 2002, currently consists of the following Directors of the Company:

- Mr Quentin Jones (Non-Executive Director)
- Mr Andrew Brown (Independent Director)
- Mr David Guy (Non-Executive Director)

Details regarding the directors' qualifications, the number of meetings held and attendance at those meetings are contained on pages 18 to 24 of the Directors' Report.

At 30 June 2007, the composition of the Audit Committee did not comply with Recommendation 4.3 in that:

- Not all of the members were non-executive directors; and
- There was not a majority of independent directors.

Although there was not strict compliance with Recommendation 4.3, the Board considers that given the composition of the Board, and qualifications and availability of Board members, the existing Audit Committee had the best and most suitable composition to effectively carry out its functions. This situation is regularly reviewed by the Board.

The roles, responsibilities and general operations of the Audit Committee were formalised through the adoption of an Audit Committee Charter in September 2006. The main responsibilities of the Audit Committee include:

- Review and report to the Board on the annual full and concise reports, the half-year financial report and all other financial information published by the Company or released to the market;
- Consider the appropriateness of the Group's accounting policies and principles and any changes and methods of application;
- Assist the Board in reviewing the effectiveness of the organisation's internal control environment and oversee the operation of the risk management system;
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and the auditor's independence;
- Review the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- Referring matters of significant concern to the board; and
- Conducting a regular review of the Committee Charter.

# Corporate governance statement (continued)

30 June 2007

The Charter also includes details of:

- Committee composition;
- Meetings;
- Role and Objectives; and
- Reporting to the Board.

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year, or more frequently if necessary, and reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved. The external auditors have a clear line of direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The Committee also receives technical input and experience from the Chief Operating Officer, Group Executive – Business Services, and Executive Manager – Accounting and Financial Compliance, who attend all meetings by invitation.

## Principle 5: Make timely and balanced disclosure

### *Continuous Disclosure*

As a company listed on the ASX, the Company is a disclosing entity under the *Corporations Act 2001*. As such, it has regular reporting and disclosure obligations to the ASX. In particular, the Company is required to disclose to the ASX information of which it is, or becomes, aware which concerns the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company, unless certain exceptions apply.

During the year the Company had in place a continuous disclosure compliance program which required timely disclosure through the ASX companies' announcement platform of information that could reasonably be expected to have a material effect on a person's consideration of whether to buy, hold, or sell the Company's shares. Under this program the Managing Director was the nominated continuous disclosure officer for the Company and reported directly to the Board on disclosure matters as well as consulting with directors and senior executives concerning these matters.

Through an internal review process, the Company ensures that ASX company announcements are presented in a factual and balanced manner to keep the market fully informed. The disclosure of financial results is usually accompanied by a commentary, which provides further details to assist investors.

# Corporate governance statement (continued)

30 June 2007

The Company also uses the services of an external supplier of corporate secretarial services to assist in the implementation and monitoring of the Company's continuous disclosure compliance program.

As part of the corporate governance review the Company has adopted a Continuous Disclosure System which applies to all employees and comprises policies and procedures and an audit system.

The policy outlines:

- The Company's continuous disclosure obligations under the ASX Listing Rules;
- A procedure for the notification of potential disclosure information to the Continuous Disclosure Manager (Managing Director) or Continuous Disclosure Officer (Company Secretary);
- Authorised persons to handle media and shareholder enquiries; and
- The accountabilities of employees, executives, senior management and the Continuous Disclosure Manager and Officer.

The audit system provides for:

- The completion of a statement confirming an understanding of, and compliance with, the Continuous Disclosure Policy by targeted employees; and
- The monitoring of procedures to ensure compliance with the Policy and the ASX Continuous Disclosure requirements by way of an annual audit and review of the System (similar in purpose and conduct to the review of the Securities Trading System).

A separate Handling Shareholder Enquiries Policy for guidance to front-line staff was also adopted by the Board in September 2006.

## Principle 6: Respect the rights of shareholders

### *Communications Strategy*

The Company is committed to providing shareholders and the market with relevant and timely information concerning its operations with a view to assisting shareholders assess the Company's performance and encouraging their effective participation at general meetings. It does this by:

- Continuously reporting developments through the ASX companies' announcements platform;
- Reporting through the Annual Report;
- Releasing appropriate information on its website;
- Providing shareholders with the opportunity to correspond by phone, in writing, as well as over the Internet; and
- Requesting the attendance of a representative from the Company's external auditor at the Annual General Meeting to answer questions about the audit and the preparation and content of the auditors' report.

# Corporate governance statement (continued)

30 June 2007

A summary of this communications strategy is provided on the Company's website, [www.sno.com.au](http://www.sno.com.au).

The Company plans to enhance its website to facilitate further electronic shareholder communication and will be providing future Annual Reports to shareholders electronically from 2008. Hard copy reports will still be available to shareholders who elect to receive them.

## Principle 7: Recognise and manage risk

### *Risk Assessment and Management*

Risk management is an integral part of good business practice and the Board is committed to the highest standards of risk management. The Board is responsible for identifying and monitoring areas of significant business risks, with assistance from the Management Compliance Committee. Internal control measures include:

- A documented risk management system, a compliance manual and a Statement Regarding Systems Control;
- Notification, recording and monitoring of complaints and exceptions;
- Quarterly questionnaires to management seeking confirmation of compliance with Group policies and relevant law, including insider trading and continuous disclosure obligations;
- Regular reporting to the Board in respect of operations and the Group's financial position, with a monthly comparison of actual results against budget; and
- Reports to the Board by appropriate members of the senior management team, the external auditors and/or independent advisers, outlining the nature of particular risks.

The abovementioned Statement Regarding Systems Control was adopted in July 2005 and integrates existing compliance systems within Snowball. It is proposed that this Statement will be reviewed during the next year to ensure that it accurately reflects the increased operations of the Company following the acquisition of WPFG.

The Board will ensure that any identified risks are properly assessed and that action is taken to implement any required enhancements to the internal control environment.

### *Financial Reporting*

At the time of confirming the integrity of financial reports to the Board in compliance with Principle 4, the Managing Director and Chief Operating Officer confirm in writing that the reports are founded on a sound system of risk management, internal compliance and control which implements the policies adopted by the Board. In addition they confirm in writing that the Company's risk management and control system is operating efficiently and effectively in all material aspects.

# Corporate governance statement (continued)

30 June 2007

## Principle 8: Encourage enhanced performance

### *Performance Evaluation*

The Board evaluates the performance of the Audit and Remuneration Committees by reference to the published responsibilities for each Committee.

As noted in the discussion on Principle 1, the Board recently adopted a Board Charter which has formalised its assessment process. Performance evaluations of the Board, Audit Committee and Remuneration Committee are now conducted through the following process:

- Comparing performance with the requirements of respective Charters;
- Setting goals and objectives for the upcoming year; and
- Effecting any improvements to the Board or Committee which are necessary or desirable.

Due to recent changes and proposed future changes in Board composition, the Board proposes to conduct reviews of both Board and Committee performance and charters during the 2008 financial year.

At least annually, the Board, via the Remuneration Committee, sets quantitative and qualitative objectives to be achieved by the Managing Director and the Chief Operating Officer. The objectives are consistent with the Company's strategic objectives and are linked to the at-risk component of the executives' remuneration. The performance of the Managing Director and the Chief Operating Officer are measured against these objectives.

Members of the senior management team have key performance indicators which are agreed annually with the Managing Director, and which are linked to the at-risk component of the executives' remuneration. The performance of the executives in the senior management team is assessed annually against their key performance indicators by the Managing Director, as part of the Company's staff appraisal process.

## Principle 9: Remunerate fairly and responsibly

### *Remuneration committee*

The Remuneration Committee, established in February 2002, currently consists of the following directors:

- Mr Quentin Jones (Non-executive Director)
- Mr Andrew Brown (Independent Director)
- Mr David Guy (Non-Executive Director)

# Corporate governance statement (continued)

30 June 2007

The Remuneration Committee advises the Board on remuneration policies and practices generally. It makes specific recommendations on remuneration packages and other terms of employment for non-executive directors, the Managing Director and the Chief Operating Officer, having regard to an individual's performance, relevant comparative information, and if appropriate, independent expert advice.

As well as a base salary, remuneration packages may include retirement and termination entitlements, performance-related incentives and fringe benefits. The Remuneration Committee sets quantitative and qualitative objectives to be achieved by the Managing Director and the Chief Operating Officer. These objectives are consistent with the Company's strategic objectives and are linked to the at-risk component of the executives' remuneration. The Committee is responsible for assessing the performance of the Managing Director and the Chief Operating Officer against the predetermined quantitative and qualitative objectives.

During the year Snowball issued options to an Executive Director and other executives under a Plan approved by shareholders at the General Meeting on 7 October 2005 as a performance-related incentive. Shareholder approval was obtained for the issues of options to the Executive Director. Further information on Board and Executive Management remuneration is contained in the Remuneration Report.

The Remuneration Committee is also responsible for making recommendations to the Board in relation to the terms of any issue of equity-based remuneration to employees as a part of their individual package or a wider staff incentive and retention scheme, and for ensuring that any such issue is made in accordance with the ASX Listing Rules.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

The Remuneration Committee's terms of reference include responsibility for reviewing any transactions between the Group and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the *Corporations Act 2001* and are appropriately disclosed.

As part of the corporate governance review, the Board adopted a Remuneration Committee Charter which outlines the roles and responsibilities, composition, authorities and operation of the Committee.

## Principle 10: Recognise the legitimate interests of stakeholders

The Company's Code of Conduct detailed below was in operation through to September 2006, when an enhanced Code of Conduct was adopted. The Code of Conduct, and the enhanced Code, apply to all directors and employees without exception.

# Corporate governance statement (continued)

30 June 2007

## *Code of Conduct*

Intrinsic to all aspects of our business are our values:

- We act with integrity in all dealings with clients, shareholders, regulators, staff and markets;
- We are professional, and focus on developing and implementing carefully selected solutions that meet our clients' needs;
- We are reliable, and satisfy all our stakeholder groups by delivering consistent results; and
- We deliver personal service, and continue to foster and develop our relationship with all of the Company's stakeholders, old and new.

We will adhere to the following standards, policies and procedures which reflect our values and have been designed to enhance our performance and manage risk:

- Ethical Standards;
- The risk management system and compliance manual;
- Financial dealing policies, including trading in the Company's securities;
- Financial Planners Advisers Manual;
- Privacy policy; and
- Workplace and human resources policies, including health and safety.

Further to the above, the enhanced Code of Conduct clearly identifies the Company's key stakeholders and provides guidance on the above values and standards. The Code of Conduct also sets out a clear process for dealing with any non-compliance with the Code.

# Financial report

30 June 2007

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This financial report covers both Snowball Group Limited as an individual entity and the consolidated entity consisting of Snowball Group Limited and its controlled entities. The financial report is presented in the Australian currency.

Snowball Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Snowball Group Limited  
70-76 Yarra Street  
Heidelberg VIC 3084

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 13 to 43, which are not part of this financial report.

This financial report was authorised for issue by the directors on 27 September 2007. The company has the power to amend and reissue the financial report.

# Income statements

For the year ended 30 June 2007

	Note	Consolidated		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Revenue from continuing operations</b>	5	16,496	7,247	1,038	-
Amortisation expense		(670)	-	-	-
Commissions expense		(119)	-	-	-
Depreciation expense		(200)	(106)	-	-
Employee benefits expense		(6,085)	(1,397)	(138)	(124)
Finance costs	6	(65)	-	-	-
Forgiveness of inter-company loans		-	-	-	(404)
General administration expense		(480)	(228)	(18)	(12)
Occupancy expense		(423)	(95)	-	-
Professional fees		(749)	(313)	(305)	(266)
(Impairment)/reversal of prior impairment of amounts owing from controlled entities		-	-	4,379	(12,736)
Other expenses from ordinary activities		(1,022)	(767)	(206)	(212)
Share of net profits of associates accounted for using the equity method		111	-	-	-
<b>Profit/(loss) before income tax</b>		6,794	4,341	4,750	(13,754)
Income tax (expense)/revenue	7	(2,063)	(1,314)	147	480
<b>Profit/(loss) for the year</b>		4,731	3,027	4,897	(13,274)
Profit attributable to minority interest		(16)	-	-	-
<b>Profit/(loss) attributable to members of Snowball Group Limited</b>		4,715	3,027	4,897	(13,274)
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>		Cents	Cents		
Basic earnings per share	37	4.47	3.78		
Diluted earnings per share	37	4.27	3.78		

The above income statements should be read in conjunction with the accompanying notes.

# Balance sheets

As at 30 June 2007

	Note	Consolidated		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	8	3,924	1,527	-	-
Receivables	9	7,118	5,161	64	5
Total current assets		11,042	6,688	64	5
<b>Non-current assets</b>					
Receivables	10	518	-	7,022	3,378
Investments accounted for using the equity method	11	2,262	-	-	-
Other financial assets	12	-	-	68,900	1,248
Property, plant and equipment	13	876	468	-	-
Intangible assets	14	55,929	-	-	-
Total non-current assets		59,585	468	75,922	4,626
<b>Total assets</b>		<b>70,627</b>	<b>7,156</b>	<b>75,986</b>	<b>4,631</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables	15	4,706	3,469	128	155
Interest bearing liabilities	16	583	-	-	-
Current tax liabilities		1,705	1,069	1,779	158
Provisions	17	929	-	-	-
Total current liabilities		7,923	4,538	1,907	313
<b>Non-current liabilities</b>					
Payables	18	-	-	438	42
Interest bearing liabilities	19	1,923	-	-	-
Deferred tax liabilities	20	7,472	-	-	-
Provisions	21	79	-	-	-
Total non-current liabilities		9,474	-	438	42
<b>Total liabilities</b>		<b>17,397</b>	<b>4,538</b>	<b>2,345</b>	<b>355</b>
<b>Net assets</b>		<b>53,230</b>	<b>2,618</b>	<b>73,641</b>	<b>4,276</b>
<b>EQUITY</b>					
Contributed equity	22	52,869	193	104,146	39,271
Reserves	23	(4,257)	-	1,173	973
Retained profits/ (Accumulated losses)	23	3,940	2,425	(31,678)	(35,968)
Parent entity interest		52,552	2,618	73,641	4,276
Minority interest	24	678	-	-	-
<b>Total equity</b>		<b>53,230</b>	<b>2,618</b>	<b>73,641</b>	<b>4,276</b>

The above balance sheets should be read in conjunction with the accompanying notes.

# Statements of changes in equity

For the year ended 30 June 2007

	Note	Consolidated		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Total equity at the beginning of the year</b>		2,618	286	4,276	14,049
Profit/(loss) for the year		4,731	3,027	4,897	(13,274)
<b>Total recognised income and expense of the year</b>		4,731	3,027	4,897	(13,274)
Transactions with equity holders in their capacity as equity holders:					
Issue of equity, net of transaction costs	22	52,676	-	64,875	3,398
Dividends paid	25	(3,200)	(695)	(608)	-
Employee share options	23	177	-	241	103
Movement in the business combination reserve		(5,225)	-	-	-
Movement in the deferred consideration reserve		791	-	(40)	-
Minority interest on acquisition of subsidiary		662	-	-	-
		45,881	(695)	64,468	3,501
<b>Total equity at the end of the year</b>		53,230	2,618	73,641	4,276
Total recognised income and expense for the year is attributable to:					
Members of Snowball Group Limited		4,715	3,027	4,897	(13,274)
Minority interest		16	-	-	-
		4,731	3,027	4,897	(13,274)

The above statements of changes in equity should be read in conjunction with the accompanying notes.

# Cash flow statements

For the year ended 30 June 2007

	Note	Consolidated		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of goods and services tax)		15,114	9,092	-	-
Payments to suppliers and employees (inclusive of goods and services tax)		(10,398)	(4,358)	(751)	(595)
		4,716	4,734	(751)	(595)
Interest received		86	65	47	-
Borrowing costs		(65)	-	-	-
Income taxes paid		(662)	(309)	(242)	-
<b>Net cash inflow/(outflow) from operating activities</b>	35	4,075	4,490	(946)	(595)
<b>Cash flows from investing activities</b>					
Dividends received		149	-	991	-
Proceeds from sale of property, plant and equipment		10	-	-	-
Payments for property, plant and equipment		(66)	(189)	-	-
Payments for purchase of controlled entity, net of cash acquired		(1,368)	-	(5,200)	-
Payments for intangible assets - other separately identifiable assets		(137)	-	-	-
Payments for investment in associate		-	-	-	(1,248)
Proceeds of loans from related parties		1,905	-	3,341	-
Payments of loans to related parties		-	(2,032)	-	(1,526)
<b>Net cash inflow from investing activities</b>		493	(2,221)	(868)	(2,774)
<b>Cash flows from financing activities</b>					
Proceeds from issues of shares		93	-	2,422	3,369
Proceeds from borrowings		1,092	-	-	-
Repayments of borrowings		(126)	(370)	-	-
Dividends paid		(3,200)	(695)	(608)	-
Repayments of finance lease		(30)	-	-	-
<b>Net cash outflow from financing activities</b>		(2,171)	(1,065)	1,814	3,369
<b>Net increase in cash and cash equivalents</b>		2,397	1,204	-	-
Cash and cash equivalents at the beginning of the financial year		1,527	323	-	-
<b>Cash and cash equivalents at the end of the financial year</b>	8	3,924	1,527	-	-
Financing arrangements	19				
Non-cash financing and investing activities	36				

The above cash flow statements should be read in conjunction with the accompanying notes.

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# Notes to the financial statements

30 June 2007

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# Notes to the financial statements

30 June 2007

## Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Snowball Group Limited as an individual entity and the consolidated entity consisting of Snowball Group Limited and its subsidiaries.

### *(a) Basis of preparation*

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

Snowball Group Limited is listed on the Australian Stock Exchange. Snowball Group Limited completed the legal acquisition of Western Pacific Financial Group Pty Ltd on 7 February 2007.

*Western Pacific Financial Group will be referred to in this report as "WPFG", the original Snowball prior to that date as "Outlook", and the combined group as "Snowball".*

Under the terms of AASB 3 *Business Combinations*, WPFG was deemed to be the accounting acquirer in the business combination. This transaction has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly, the consolidated financial statements of the Snowball Group Limited group have been prepared as a continuation of the consolidated financial statements of WPFG. WPFG, as the deemed acquirer, has accounted for the acquisition of Outlook from 7 February 2007. The comparative information from 1 July 2005 to 30 June 2006 presented in the consolidated financial statements is that of WPFG. Refer to Note 31 for further details of the business combination.

The implications of the application of AASB 3 on each of the attached financial statements are as follows:

### *Income Statements*

- The 2007 Consolidated Income Statement comprises 12 months of WPFG, and 5 months of Outlook.
- The 2006 Consolidated Income Statement comprises 12 months of WPFG.

# Notes to the financial statements (continued)

30 June 2007

## Note 1. Summary of significant accounting policies (continued)

### *Balance Sheets*

- The 2007 Consolidated Balance Sheet represents both WPFG and Outlook, i.e. Snowball, as at 30 June 2007.
- The 2006 Consolidated Balance Sheet represents WPFG as at 30 June 2006.

### *Statements of Changes in Equity*

- The 2007 Consolidated Statement of Changes in Equity comprises:
  - The equity balance of WPFG at the beginning of the year.
  - The profit for the year and transactions with equity holders, being 12 months of WPFG, and 5 months of Outlook.
  - The equity balance of WPFG and Outlook at the end of the year.
- The 2006 Consolidated Statement of Changes in Equity comprises 12 months of WPFG.

### *Cash Flow Statements*

- The 2007 Consolidated Statement of Cash Flows comprises:
  - The cash balance of WPFG at the beginning of the year.
  - The transactions for the year, being 12 months of WPFG, and 5 months of Outlook.
  - The cash balance of WPFG and Outlook at the end of the year.
- The 2006 Consolidated Statement of Cash Flows comprises 12 months of WPFG.

As the reverse acquisition accounting principles outlined above apply only in the Consolidated financials, the Parent Entity financials will continue to represent Snowball Group Limited as a stand-alone entity for the 2007 and 2006 financial years.

### *Compliance with IFRSs*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Snowball Group Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS. The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Disclosure and Presentation*.

# Notes to the financial statements (continued)

30 June 2007

## Note 1. Summary of significant accounting policies (continued)

### Historical cost convention

These financial statements have been prepared under the historical costs convention, except for certain assets which, as noted, are at valuation.

### Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

### *(b) Principles of consolidation*

#### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Snowball Group Limited ("company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Snowball Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(g)).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

# Notes to the financial statements (continued)

30 June 2007

## Note 1. Summary of significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Snowball Group Limited.

Refer to Note 31 for further details of the business combination effected during the current financial year.

### (ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

# Notes to the financial statements (continued)

30 June 2007

## Note 1. Summary of significant accounting policies (continued)

### *(c) Segment reporting*

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

### *(d) Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on or behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

#### *(i) Commission and fee revenue*

Commission and fee revenue is recognised on an accrual basis to the extent that it is probable that the commission benefit will flow to the group and the revenue can be reliably measured.

#### *(ii) Accounting fees*

Accounting fees are recognised as revenue when the service has been performed.

#### *(iii) Interest revenue*

Interest revenue is recognised on a time proportion basis using the effective interest method, see Note 1(k).

### *(e) Income tax*

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

# Notes to the financial statements (continued)

30 June 2007

## Note 1. Summary of significant accounting policies (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### **Tax consolidation legislation**

Snowball Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Snowball Group Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Snowball Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 7.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

# Notes to the financial statements (continued)

30 June 2007

## Note 1. Summary of significant accounting policies (continued)

### *(f) Leases*

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 29). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

### *(g) Business combinations*

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1(n)(i)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

# Notes to the financial statements (continued)

30 June 2007

## Note 1. Summary of significant accounting policies (continued)

Where settlement of any part of consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Refer to Note 31 for further details of the business combination effected during the current financial year.

### *(h) Impairment of assets*

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### *(i) Cash and cash equivalents*

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### *(j) Trade receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

# Notes to the financial statements (continued)

30 June 2007

## Note 1. Summary of significant accounting policies (continued)

### *(k) Investments and other financial assets*

#### *(i) Investment in subsidiaries*

The Group determines the classification of its investments at initial recognition, depending on the purpose for which the investments were acquired, and re-evaluates this designation at each reporting date. At this reporting date, the Group has continued to carry investments in subsidiaries at cost less impairment write-downs in the parent entity.

#### *(ii) Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet, and are carried at amortised cost using the effective interest method.

### *(l) Fair value estimation*

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### *(m) Property, plant and equipment*

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, being between 5 and 15 years for furniture fittings and equipment.

# Notes to the financial statements (continued)

30 June 2007

## Note 1. Summary of significant accounting policies (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

### *(n) Intangible assets*

#### *(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment (Note 4).

#### *(ii) Separately identifiable assets arising from business combinations*

Separately identifiable assets arising from business combinations, comprising of customer contracts and related customer relationships, have a finite useful life not exceeding thirteen years and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of separately identifiable assets over their estimated useful lives.

#### *(iii) Other separately identifiable assets*

Other separately identifiable assets comprises directly attributable costs incurred to purchase software, or to develop the Group's Green Game and website, which each have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost over the estimated useful lives, which is generally 2.5 years. Costs which are incurred to maintain or update these assets do not meet the recognition criteria and are recognised as an expense when incurred.

# Notes to the financial statements (continued)

30 June 2007

## Note 1. Summary of significant accounting policies (continued)

### *(o) Trade and other payables*

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### *(p) Borrowings*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### *(q) Borrowing costs*

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

### *(r) Provisions*

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

# Notes to the financial statements (continued)

30 June 2007

## Note 1. Summary of significant accounting policies (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### *(s) Employee benefits*

#### *(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### *(ii) Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels and experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

#### *(iii) Share-based payments*

Share-based compensation benefits are provided to employees via the Employee Share Option Plan and an employee share scheme. Information regarding these schemes is set out in Note 38.

The fair value of options granted under the Snowball Group Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

# Notes to the financial statements (continued)

30 June 2007

## Note 1. Summary of significant accounting policies (continued)

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

### (iv) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

### (v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

### (f) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### (u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

# Notes to the financial statements (continued)

30 June 2007

## Note 1. Summary of significant accounting policies (continued)

### *(v) Earnings per share*

#### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

#### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### *(w) Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the costs of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

### *(x) Rounding of amounts*

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### *(y) New accounting standards and interpretations*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

# Notes to the financial statements (continued)

30 June 2007

## Note 1. Summary of significant accounting policies (continued)

(i) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038)

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

(ii) AASB-I 10 Interim Financial Reporting and Impairment

AASB-I 10 is applicable to reporting periods beginning on or after 1 November 2006. The Group has not adopted the standard early and it believes there will be no material impact on the financial statements upon future initial application.

(iii) AASB 101 Presentation of Financial Statements

AASB 101 is applicable to reporting periods beginning on or after 1 January 2007. The Group has not adopted the standard early. Application of the standard will not affect any of the amounts recognized in the financial statements, nor is it expected to impact financial statement information disclosures upon future initial application.

(iv) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038)

AASB 8 and AASB 2007-3 are applicable to reporting periods beginning on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. Application of the standards may result in different segments, segment results and types of segment information being reported in the segment note of the financial report. However, it will not affect any of the amounts recognized in the financial statements. The Group has not adopted the standards early.

# Notes to the financial statements (continued)

30 June 2007

## Note 2. Financial risk management

The Group's activities expose it to a variety of financial risks; market risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Financial risk management is carried out by the Executive Manager – Accounting & Financial Compliance, in conjunction with the Group Executive – Business Services.

### (a) Market risk

The Group earns Financial Planning revenue based on the level (which varies between platforms and fund managers) of its Funds Under Advice. The Funds Under Advice is subject to market risk in that, all other things being equal, the base will increase during periods of market growth, but decrease during periods of market decline.

### (b) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that services are performed for customers with an appropriate credit history.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

### (d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

## Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

# Notes to the financial statements (continued)

30 June 2007

## Note 3. Critical accounting estimates and judgements (continued)

### (a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 14 for details of these assumptions and the potential impact of changes to the assumptions.

## Note 4. Segment information

### (a) Description of segments

#### Business segments

The consolidated entity provides the following by service type:

- Financial Education and Advice
- Accountancy Services

#### Geographical segments

The consolidated entity operated only in Australia.

### (b) Primary reporting format – business segments

Following the discussion in Note 1(a) about the implication of the application of AASB 3 to the preparation of these financial statements, the application of AASB 3 has had the following implications on the segment revenues and results:

- The 2007 Segment revenue and results comprises 12 months of WPFG and 5 months of Outlook.
- The 2006 Segment revenue and results comprises 12 months of WPFG.

# Notes to the financial statements (continued)

30 June 2007

## Note 4. Segment information (continued)

	Financial Education & Advice	Accountancy Services	Inter-segment eliminations	Consolidated
2007	\$'000	\$'000	\$'000	\$'000
<b>Segment revenue</b>				
Total segment revenue	15,479	948	(49)	16,378
Unallocated revenue				118
Revenue from continuing operations				16,496
Share of net profits of associates				111
Total revenue and other income				16,607
<b>Segment result</b>				
Segment result	9,308	169	-	9,477
Unallocated revenue less unallocated expenses				(2,683)
Profit before income tax				6,794
Income tax expense				(2,063)
Profit for the year				4,731
<b>Segment assets</b>				
Segment assets	23,555	1,999	(60)	25,494
Unallocated assets, net of inter-segment eliminations				45,133
Total assets				70,627
<b>Segment liabilities</b>				
Segment liabilities	9,979	1,747	(60)	11,666
Unallocated liabilities, net of inter-segment eliminations				5,731
Total liabilities				17,397
<b>Other segment information</b>				
Investments in associates	-	-	2,262	2,262
Share of net profits of associates	-	-	111	111
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	107	2	119	228
Depreciation and amortisation expense	257	26	587	870
Impairment/(recovery) of trade receivables (Note 9)	7	(23)	-	(16)

# Notes to the financial statements (continued)

30 June 2007

## Note 4. Segment information (continued)

	Financial Education & Advice	Accountancy Services	Inter-segment eliminations	Consolidated
2006	\$'000	\$'000	\$'000	\$'000
<b>Segment revenue</b>				
Total segment revenue	7,247	-	-	7,247
Unallocated revenue				-
Revenue from continuing operations				7,247
Share of net profits of associates				-
Total revenue and other income				7,247
<b>Segment result</b>				
Segment result	4,341	-	-	4,341
Unallocated revenue less unallocated expenses				-
Profit before income tax				4,341
Income tax expense				(1,314)
Profit for the year				3,027
<b>Segment assets</b>				
Segment assets	7,156	-	-	7,156
Unallocated assets, net of inter-segment eliminations				-
Total assets				7,156
<b>Segment liabilities</b>				
Segment liabilities	4,538	-	-	4,538
Unallocated assets, net of inter-segment eliminations				-
Total liabilities				4,538
<b>Other segment information</b>				
Investments in associates	-	-	-	-
Share of net profits of associates	-	-	-	-
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	189	-	-	189
Depreciation and amortisation expense	106	-	-	106
Impairment of trade receivables (Note 9)	-	-	-	-

# Notes to the financial statements (continued)

30 June 2007

## Note 4. Segment information (continued)

(c) Notes to and forming part of the segment information

### (i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and Accounting Standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and provision for service warranties. Segment assets and liabilities do not include income taxes.

### (ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

## Note 5. Revenue

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>From continuing operations</b>				
<i>Sales revenue</i>				
Financial Education & Advice	15,479	7,182	-	-
Accountancy Services	899	-	-	-
	<b>16,378</b>	<b>7,182</b>	<b>-</b>	<b>-</b>
<i>Other revenue</i>				
Interest	86	65	47	-
Dividends	-	-	991	-
Other	32	-	-	-
	<b>118</b>	<b>65</b>	<b>1,038</b>	<b>-</b>
	<b>16,496</b>	<b>7,247</b>	<b>1,038</b>	<b>-</b>

# Notes to the financial statements (continued)

30 June 2007

## Note 6. Expenses

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Profit before income tax includes the following specific expenses:</b>				
<i>Finance costs</i>				
Interest and finance charges paid/ payable	65	-	-	-
Finance costs expensed	65	-	-	-
<i>Rental expense relating to operating leases</i>				
Minimum lease payments	276	46	-	-
Total rental expense relating to operating leases	276	46	-	-
<i>Defined contribution superannuation expense</i>	604	-	-	-
<i>(Impairment)/reversal of prior impairment of amounts owing from controlled entities</i>	-	-	4,379	(12,736)

## Note 7. Income tax expense

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>(a) Income tax expense/(revenue)</b>				
Current income tax expense/(revenue)	1,989	1,314	(147)	(480)
Deferred tax expense	74	-	-	-
	2,063	1,314	(147)	(480)
Income tax expense/(revenue) is attributable to:				
Profit from continuing operations	2,063	1,314	(147)	(480)
Aggregate income tax expense/ (revenue)	2,063	1,314	(147)	(480)
<b>(b) Numerical reconciliation of income tax expense/(revenue) to prima facie income tax payable/(receivable)</b>				
Profit/(loss) from continuing operations before income tax expense/(revenue)	6,794	4,341	4,750	(13,754)

# Notes to the financial statements (continued)

30 June 2007

## Note 7. Income tax expense (continued)

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Tax at the Australian tax rate of 30% (2006: 30%)	2,038	1,302	1,425	(4,126)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Dividends received from member of tax consolidated group	-	-	(253)	-
Employee share options	52	-	-	-
Forgiveness of inter-company loans (Impairment)/reversal of prior impairment of amounts owing from controlled entities	-	-	(1,314)	3,821
Share of net profit of associates	(33)	-	-	-
Sundry items	6	12	(12)	-
Tax effect of timing differences not recognised	-	-	7	8
<b>Taxable income</b>	<b>2,063</b>	<b>1,314</b>	<b>(147)</b>	<b>(176)</b>
Prior year tax losses not recognised as a deferred tax asset, now recouped	-	-	-	(304)
<b>Income tax expense/(revenue)</b>	<b>2,063</b>	<b>1,314</b>	<b>(147)</b>	<b>(480)</b>
<b>(c) Tax losses</b>				
Unused tax losses for which no deferred tax asset has been recognised	-	-	-	306
Potential tax benefit @ 30%	-	-	-	92

All unused tax losses were incurred by Australian entities.

As set out in the 2006 Annual Report, the Snowball Group Limited tax consolidated entity had unused tax losses for which no deferred tax asset had been recognised of \$11.256 million at 30 June 2006. The potential tax benefit at 30% was \$3.377 million.

Taxation losses can only be carried forward and offset against future assessable income when either the continuity of ownership test or the same business test has been passed. Management are of the view that the Group is no longer able to pass these tests following the legal acquisition of Western Pacific Financial Group Pty Ltd. Accordingly, the \$3.377 million potential tax benefits that existed at 30 June 2006 are no longer available to the Group.

### (d) Tax consolidation legislation

Snowball Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation from 1 July 2003. The accounting policy in relation to this legislation is set out in Note 1(e).

# Notes to the financial statements (continued)

30 June 2007

## Note 7. Income tax expense (continued)

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Snowball Group Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Snowball Group Limited for any current tax payable assumed and are compensated by Snowball Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Snowball Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements, and are recognised as current intercompany receivables (see Note 10).

## Note 8. Current assets – Cash and cash equivalents

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash at bank and in hand	3,729	1,382	-	-
Term deposits	195	145	-	-
	<u>3,924</u>	<u>1,527</u>	<u>-</u>	<u>-</u>

### (a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	3,924	1,527	-	-
Balances per statement of cash flows	<u>3,924</u>	<u>1,527</u>	<u>-</u>	<u>-</u>

### (b) Cash at bank and on hand

The cash at bank bears an interest rate of 4.8% (2006: 3.9%).

### (c) Term deposits

The deposits are bearing floating interest rates between 5.8% and 6.0% (2006: 5.6%). These deposits have an average period to repricing of 63 days (2006: 74 days).

# Notes to the financial statements (continued)

30 June 2007

## Note 9. Current assets – Trade and other receivables

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade receivables	726	411	15	2
Provision for doubtful receivables	(80)	-	-	-
	646	411	15	2
Accrued income	5,971	2,384	-	-
Other receivables	92	125	-	1
Prepayments	62	131	49	2
Work in progress	386	-	-	-
Provision for non-recovery of work in progress	(39)	-	-	-
Loan to related entity	-	2,110	-	-
	7,118	5,161	64	5

### (a) Bad and doubtful trade receivables

The Group has recognised a write-back in the provision of \$16,190 (2006: nil) in respect of bad and doubtful trade receivables during the year ended 30 June 2007. The write-back has been included in "other expenses from ordinary activities" in the income statement. The write-back was recognised in respect of the Outlook businesses from February to June 2007.

### (b) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in the non-current receivables note (Note 10).

## Note 10. Non-current assets – Receivables

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Loans to subsidiaries	-	-	9,098	10,351
Less: Provision for write-down of loans to subsidiaries to recoverable amount *	-	-	(2,594)	(6,973)
Loans to other related parties	518	-	518	-
	518	-	7,022	3,378

\* The movement in the provision has been recorded to adjust the carrying value of the receivables to the recoverable amount.

Further information relating to loans to subsidiaries and other related parties is set out in Note 30.

# Notes to the financial statements (continued)

30 June 2007

## Note 10. Non-current assets – Receivables (continued)

### (a) Interest rate risk

With the exception of the "Loans to other related parties" identified above, the Group's receivables are not exposed to interest rate risk as they are non-interest bearing.

### (b) Credit risk

There is no concentration of credit risk with respect to current and non-current receivables, as the Group has a large number of customers. Refer to Note 2 for more information on the risk management policy of the Group.

## Note 11. Non-current assets – Investments accounted for using the equity method

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Shares in associates (Note 33)	2,262	-	-	-
	<u>2,262</u>	<u>-</u>	<u>-</u>	<u>-</u>

### (a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

The investment is carried at cost by the parent entity (refer to Note 12). The acquisition of Western Pacific Financial Group Pty Ltd and the application of reverse acquisition accounting (refer to Note 1(a)) resulted in a fair value uplift of \$923,000 being recognised on consolidation during the year (refer to Note 31).

## Note 12. Non-current assets – Other financial assets

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Shares in subsidiaries (Note 32) *	-	-	87,079	19,401
Provision for diminution in value **	-	-	(19,401)	(19,401)
Shares in associates (Note 33) *	-	-	1,222	1,248
	<u>-</u>	<u>-</u>	<u>68,900</u>	<u>1,248</u>

\* These financial assets are carried at cost.

\*\* The provision has been recorded to adjust the carrying value of the investment to recoverable amount.

# Notes to the financial statements (continued)

30 June 2007

## Note 13. Non-current assets – Property, plant and equipment

<b>Consolidated</b>	<b>Total * \$'000</b>
<b>At 1 July 2005</b>	
Cost	472
Accumulated depreciation	(87)
Net book amount	<u>385</u>
<b>Year ended 30 June 2006</b>	
Opening net book amount	385
Additions	189
Depreciation charge	(106)
Closing net book amount	<u>468</u>
<b>At 30 June 2006</b>	
Cost	661
Accumulated depreciation	(193)
Net book amount	<u>468</u>
<b>Year ended 30 June 2007</b>	
Opening net book amount	468
Additions	49
Acquisition of subsidiary	559
Depreciation charge	(200)
Closing net book amount	<u>876</u>
<b>At 30 June 2007</b>	
Cost	2,658
Accumulated depreciation	(1,728)
Net book amount	<u>876</u>

\* Comprising furniture fittings and equipment.

# Notes to the financial statements (continued)

30 June 2007

## Note 14. Non-current assets – Intangible assets

<b>Consolidated</b>	Goodwill \$'000	Separately identifiable assets arising from business combinations *	Other separately identifiable assets **	Total \$'000
<b>At 1 July 2005</b>				
Cost	-	-	-	-
Accumulated amortisation	-	-	-	-
Net book amount	-	-	-	-
<b>Year ended 30 June 2006</b>				
Opening net book amount	-	-	-	-
Additions	-	-	-	-
Amortisation charge	-	-	-	-
Closing net book amount	-	-	-	-
<b>At 30 June 2006</b>				
Cost	-	-	-	-
Accumulated amortisation	-	-	-	-
Net book amount	-	-	-	-
<b>Year ended 30 June 2007</b>				
Opening net book amount	-	-	-	-
Additions – business combination	33,238	23,053	129	56,420
Additions – other	-	32	147	179
Amortisation charge	-	(623)	(47)	(670)
Closing net book amount	33,238	22,462	229	55,929
<b>At 30 June 2007</b>				
Cost	33,238	23,085	2,560	58,883
Accumulated amortisation	-	(623)	(2,331)	(2,954)
Net book amount	33,238	22,462	229	55,929

\* Comprising customer contracts and related customer relationships.

\*\* Comprising software and the Group's Green Game and website.

### (a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the manner in which goodwill is monitored by management. The Financial Education & Advice segment has been split into the two sub-units, namely Western Pacific Financial Group and Outlook Financial Solutions. A summary of the goodwill allocation is presented below.

# Notes to the financial statements (continued)

30 June 2007

## Note 14. Non-current assets – Intangible assets (continued)

	2007 \$'000	2006 \$'000
Financial Education & Advice – Western Pacific Financial Group sub-unit	16,442	-
Financial Education & Advice – Outlook Financial Solutions sub-unit	15,600	-
Accountancy Services	1,196	-
	<u>33,238</u>	<u>-</u>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using the estimated growth rates stated below.

### (b) Key assumptions used for value-in-use calculations

In performing the value-in-use calculations for each CGU, the Group applied the following assumptions:

- Base year revenues and expenses were obtained from the financial budgets covering a one-year period, which had been approved by management. The financial budget was based on past performance and expectations for the future.
- Revenue growth rates of 10% and 7.5% were assumed for subsequent years in order to extrapolate cash flows beyond the budget period for both of the Financial Education & Advice CGU's and the Accountancy CGU respectively.
- Expense growth rates of 6% and 5% were assumed for subsequent years in order to extrapolate cash flows beyond the budget period for both of the Financial Education & Advice CGU's and the Accountancy CGU respectively.
- Pre-tax discount rate of 19%.
- The value-in-use calculations covered a five year period with terminal values.

The value-in-use calculations concluded that the recoverable amount of the goodwill for each CGU exceeds the carrying amount of goodwill.

### (c) Impact of possible changes in key assumptions

Given the reasonable basis on which the value-in-use calculations for each CGU were prepared, management does not consider a change in any of the key assumptions to be likely.

# Notes to the financial statements (continued)

30 June 2007

## Note 14. Non-current assets – Intangible assets (continued)

### (d) Impairment charge

There was no impairment in the carrying amount of goodwill for any of the CGU's in both the 2006 and 2007 financial years.

## Note 15. Current liabilities – Payables

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade payables	498	1,660	-	-
Other payables	265	195	16	155
Loans from related entities	-	330	-	-
Accrued expenses	3,943	1,284	112	-
	<b>4,706</b>	<b>3,469</b>	<b>128</b>	<b>155</b>

## Note 16. Current liabilities – Interest bearing liabilities

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Secured</b>				
Bills payable	575	-	-	-
Lease liabilities (Note 29)	8	-	-	-
Total secured current borrowings	<b>583</b>	<b>-</b>	<b>-</b>	<b>-</b>

### (a) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in Note 19.

### (b) Fair value disclosures

Details of the fair value of borrowings for the Group are set out in Note 19.

### (c) Security

Details of the security relating to each of the secured liabilities and further information on the bank bills are set out in Note 19.

# Notes to the financial statements (continued)

30 June 2007

## Note 17. Current liabilities – Provisions

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee benefits – annual leave	555	-	-	-
Employee benefits – long service leave	374	-	-	-
	929	-	-	-

## Note 18. Non-current liabilities – Payables

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Loans from related parties	-	-	438	42
	-	-	438	42

## Note 19. Non-current liabilities – Interest bearing liabilities

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Secured</b>				
Bills payable	1,923	-	-	-
Total secured non-current borrowings	1,923	-	-	-

### (a) Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Bills payable	2,498	-	-	-
Lease liabilities (Note 29)	8	-	-	-
Total secured borrowings	2,506	-	-	-

# Notes to the financial statements (continued)

30 June 2007

## Note 19. Non-current liabilities – Interest bearing liabilities (continued)

### (b) Security

The bills payable of the Group are secured by:

- (i) a registered fixed and floating charge over all the assets of the Group\*;
- (ii) cross and interlocking guarantees between all members of the Group\*;
- (iii) a registered equitable mortgage over encumbered assets of the Group\*;
- (iv) a negative pledge over all assets of the Group\*.

\* Snowball Group Limited completed the legal acquisition of Western Pacific Financial Group Pty Ltd on 7 February 2007. This entity is not party to the above.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

### (c) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Credit standby arrangements</b>				
Total facilities				
Temporary bank overdraft facility	350	-	-	-
	350	-	-	-
Used at balance date				
Temporary bank overdraft facility	-	-	-	-
	-	-	-	-
Unused at balance date				
Temporary bank overdraft facility	350	-	-	-
	350	-	-	-
<b>Bill acceptance facilities</b>				
Total facilities	2,498	-	-	-
Used at balance date	2,498	-	-	-
Unused at balance date	-	-	-	-

The bank loan facilities are subject to periodic reviews and compliance certificates, and the continuance of satisfactory credit ratings.

# Notes to the financial statements (continued)

30 June 2007

## Note 19. Non-current liabilities – Interest bearing liabilities (continued)

Restricted access was available at balance date to a \$3,750,000 acquisition facility, which has not been drawn down to date. Various conditions must be met by the Group should it request a draw down on this facility.

### (d) Interest rate risk exposures

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Exposures arise predominantly from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

2007	Floating interest rate \$'000	1 year or less \$'000	Fixed interest rate					Total \$'000
			Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	
Bills payable (Notes 16 and 19)	1,905	105	105	105	278	-	-	2,498
Lease liabilities (Notes 16 and 29)	-	8	-	-	-	-	-	8
	1,905	113	105	105	278	-	-	2,506
Weighted average interest rate	6.57%	6.73%	6.12%	6.12%	6.12%	-	-	

There were no interest rate exposures in the 2006 financial year.

### (e) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	2007		2006	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>On-balance sheet</b>				
<i>Non-traded financial liabilities</i>				
Bills payable	2,498	2,498	-	-
Lease liabilities	8	8	-	-
	2,506	2,506	-	-

# Notes to the financial statements (continued)

30 June 2007

## Note 19. Non-current liabilities – Interest bearing liabilities (continued)

### (i) On-balance sheet

The fair value of borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

## Note 20. Non-current liabilities – Deferred tax liabilities

	<b>Consolidated</b>		<b>Parent entity</b>	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Intangible assets	6,729	-	-	-
Accrued income	1,714	-	-	-
Work in progress	104	-	-	-
Prepayments	20	-	-	-
Other	9	-	-	-
<b>Total deferred tax liabilities</b>	<b>8,576</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less Set-off of deferred tax assets against deferred tax liabilities pursuant to set-off provisions:				
Accrued expenses	(787)	-	-	-
Employee entitlements	(293)	-	-	-
Provision for doubtful debts	(24)	-	-	-
<b>Net deferred tax liabilities</b>	<b>7,472</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Note 21. Non-current liabilities – Provisions

	<b>Consolidated</b>		<b>Parent entity</b>	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee benefits – long service leave	79	-	-	-
	<b>79</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements (continued)

30 June 2007

## Note 22. Contributed equity

### (a) Parent entity

	Notes	Parent entity		Parent entity	
		2007 Shares '000	2006 Shares '000	2007 \$'000	2006 \$'000
(i) Share capital					
Ordinary shares	(b), (c)				
Fully paid		144,986	60,296	104,146	39,271

### (ii) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue Price	\$'000
1 July 2005	Opening balance		49,248,320		35,105
2 August 2005	Exercise of options	(e)	14,766	\$0.20	3
12 September 2005	Exercise of options	(e)	97,473	\$0.29	28
13 October 2005	Ordinary share placement	(c)	8,950,000	\$0.38	3,401
14 November 2005	Exercise of options	(e)	436,667	\$0.30	131
13 January 2006	Ordinary share placement	(c)	1,490,421	\$0.45	666
5 June 2006	Exercise of options	(e)	43,442	\$0.29	13
22 June 2006	Exercise of options	(e)	14,767	\$0.20	3
					39,350
	Less: 2006 Transaction costs				(79)
30 June 2006	Balance		60,295,856		39,271
7 August 2006	Exercise of options	(e)	54,534	\$0.20	11
14 August 2006	Exercise of options	(e)	41,580	\$0.20	8
6 October 2006	Ordinary share placement	(c)	365,399	\$0.57	209
15 January 2007	Exercise of options	(e)	23,100	\$0.20	5
30 January 2007	Ordinary share placement	(c)	3,500,000	\$0.60	2,100
7 February 2007	Ordinary share placement	(c)	80,067,392	\$0.78	62,453
13 February 2007	Exercise of options	(e)	165,000	\$0.40	66
4 May 2007	Exercise of options	(e)	23,100	\$0.20	5
4 May 2007	Exercise of options	(e)	50,000	\$0.40	20
29 June 2007	Exercise of options	(e)	400,000	\$0.20	80
					104,228
	Less: 2007 Transaction costs				(82)
30 June 2007	Balance		144,985,961		104,146

# Notes to the financial statements (continued)

30 June 2007

## Note 22. Contributed equity (continued)

### (b) Consolidated

As explained in Note 1(a), the consolidated financial statements of the Snowball Group Limited group have been prepared as a continuation of the consolidated financial statements of Western Pacific Financial Group Pty Ltd (WPFPG). WPFPG, as the deemed acquirer, has accounted for the acquisition of Outlook from 7 February 2007. The comparative information from 1 July 2005 to 30 June 2006 presented in the consolidated financial statements is that of WPFPG. See a reconciliation below of the consolidated contributed equity for the 2006 and 2007 financial years.

	Notes	Consolidated		Consolidated	
		2007 Shares '000	2006 Shares '000	2007 \$'000	2006 \$'000
(i) Share capital					
Ordinary shares	(b), (c)				
Fully paid		144,986	305	53,531	193

### (ii) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue Price	\$'000
1 July 2005	Opening balance		305,000		193
30 June 2006	Balance		305,000		193
7 February 2007	Elimination of existing WPFPG shares on acquisition		(305,000)		-
7 February 2007	Existing Snowball Group Limited shares on acquisition of WPFPG		64,280,469		-
7 February 2007	Issue of Snowball Group Limited shares on acquisition of WPFPG		80,067,392		53,244
13 February 2007	Exercise of options	(e)	165,000	\$0.40	66
4 May 2007	Exercise of options	(e)	23,100	\$0.20	5
4 May 2007	Exercise of options	(e)	50,000	\$0.40	20
29 June 2007	Exercise of options	(e)	400,000	\$0.20	80
					53,608
	Less: 2007 Transaction costs				(77)
30 June 2007	Balance		144,985,961		53,531

# Notes to the financial statements (continued)

30 June 2007

## Note 22. Contributed equity (continued)

The consolidated share capital at 30 June 2007 is attributable to:

	\$'000
Parent entity interest in share capital	52,869
Minority interest in share capital (refer to Note 24)	662
Consolidated share capital as presented in on page 93	53,531

### (c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held.

### (d) Employee share scheme

Information relating to the Snowball Group Limited Employee Share Plan, including details of shares issued under the scheme, is set out in Note 38.

### (e) Options

Information relating to the Snowball Group Limited Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 38.

## Note 23. Reserves and retained profits

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>(a) Reserves</b>				
Business combination reserve	(5,225)	-	-	-
Deferred consideration reserve	791	-	791	832
Share-based payments reserve	177	-	382	141
	(4,257)	-	1,173	973

# Notes to the financial statements (continued)

30 June 2007

## Note 23. Reserves and retained profits (continued)

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Movements:				
<i>Business combination reserve</i>				
Balance at the beginning of the financial year	-	-	-	-
Reverse acquisition equity movement	(5,225)	-	-	-
Balance at the end of the financial year	(5,225)	-	-	-
<i>Deferred consideration reserve</i>				
Balance at the beginning of the financial year	-	-	832	1,469
Additional deferred consideration recognised for acquisition of a business	-	-	168	-
Issuance of shares	-	-	(209)	(637)
Reverse acquisition equity movement	791	-	-	-
Balance at the end of the financial year	791	-	791	832
<i>Share-based payments reserve</i>				
Balance at the beginning of the financial year	-	-	141	38
Employee share options expense	177	-	241	103
Balance at the end of the financial year	177	-	382	141
<i>Unlisted options issued as part-consideration for the acquisition of a controlled entity</i>				
Balance at the beginning of the financial year	-	-	-	131
Exercise of unlisted options	-	-	-	(131)
Balance at the end of the financial year	-	-	-	-
<b>(b) Retained profits</b>				
Retained profits/(Accumulated losses) at the beginning of the financial year	2,425	93	(35,967)	(22,693)
Net profit/(loss) attributable to members of Snowball Group Limited	4,715	3,027	4,897	(13,274)
Dividends paid	(3,200)	(695)	(608)	-
Retained profits/(Accumulated losses) at the end of the financial year	3,940	2,425	(31,678)	(35,967)

# Notes to the financial statements (continued)

30 June 2007

## Note 23. Reserves and retained profits (continued)

### (c) Nature and purpose of reserves

#### (i) Business combination reserve

The business combination reserve is made up of:

- The cash paid out of the consolidated group by the accounting acquiree, Snowball Group Limited, to the ultimate parent, Officium Group Pty Ltd (formerly Western Pacific Group Holdings Pty Ltd), as part-consideration for the acquisition of Western Pacific Financial Group Pty Ltd; and
- Costs incidental to this acquisition.

#### (ii) Deferred consideration reserve

This reserve recognises the deferred consideration to be paid for business acquisitions, to be settled in Snowball Group Limited shares. For further information, refer to Note 1(g).

#### (iii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

#### (iv) Unlisted options issued as part-consideration for the acquisition of a controlled entity

This reserve recognises the unlisted options issued as part-consideration for the December 2004 acquisition of the Dunhill business (Dunhill Financial Services Pty Ltd and the Dunhill Unit Trust) for shares in Snowball Group Limited, which were exercised by the vendor in November 2005.

## Note 24. Minority interest

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Share capital	662	-	-	-
Retained profits	16	-	-	-
	<b>678</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements (continued)

30 June 2007

## Note 25. Dividends

### (a) Ordinary shares

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Final dividend for the year ended 30 June 2006 of 1 cent per fully paid share paid on 6 October 2006 Fully franked based on tax paid @ 30% - 1 cent per share	-	-	608	-
Final dividend for the six months ended 31 December 2006 of \$10.49 per share (2006 - \$2.28 per share) Fully franked based on tax paid @ 30% - \$10.49 per share (2006 - \$2.28 per share)	3,200	695	-	-
	<b>3,200</b>	<b>695</b>	<b>608</b>	<b>-</b>

As explained in Note 1(a), the consolidated financial statements of the Snowball Group Limited group have been prepared as a continuation of the consolidated financial statements of Western Pacific Financial Group Pty Ltd (WPFPG). WPFPG, as the deemed acquirer, has accounted for the acquisition of Outlook from 7 February 2007. The comparative information from 1 July 2005 to 30 June 2006 presented in the consolidated financial statements is that of WPFPG.

As disclosed in the Statement of Changes in Equity on page 60, the consolidated group paid a dividend of \$3,200,000 in the 2007 financial year (which was paid prior to 7 February 2007) and \$695,000 in the 2006 financial year. These represent the dividends paid by WPFPG to its then shareholders.

### (b) Dividends not recognised at year end

In addition to the above dividends, since the end of the financial year the directors have resolved to pay a final ordinary dividend of 2 cents per share, fully franked based on tax paid at 30% (2006 - 1 cent). The record date for determining the entitlement to this dividend is 28 September 2007, with a payment date of 22 October 2007.

Based on the 144,985,961 shares on issue at 30 June 2007 as disclosed in Note 22, the minimum dividend payable will be \$2,899,719.

### (c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2007 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2007.

# Notes to the financial statements (continued)

30 June 2007

## Note 25. Dividends (continued)

	Parent entity	
	2007 \$'000	2006 \$'000
Franking credits available for subsequent financial year based on a tax rate of 30% (2006: 30%)	2,367	271
	<u>2,367</u>	<u>271</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend directors have resolved to pay since year end, but not recognised as a liability at year end, using the estimate based on page 102, will be a reduction in the franking account of \$1,242,737 (2006: 260,389).

## Note 26. Key management personnel disclosures

### (a) Directors

The following persons were directors of Snowball Group Limited during the financial year:

- (i) Chairman – non-executive                      A J Brown
- (ii) Executive directors                              A B McDonald, Managing Director  
M N Campbell, Financial Adviser
- (iii) Non-executive directors                      R Dhawan  
D M Guy (from 7 February 2007)  
Q B Jones

# Notes to the financial statements (continued)

30 June 2007

## Note 26. Key management personnel disclosures (continued)

### (b) Other key management personnel

As explained in Note 1(a), AASB 3 requires that consolidated financial statements prepared following a reverse acquisition shall be issued under the name of the legal parent (i.e. Snowball Group Limited), but be a continuation of the financial statements of the legal subsidiary (i.e. Western Pacific Financial Group Pty Ltd (WPFG) - the acquirer for accounting purposes).

#### Directors

The remuneration of directors disclosed is in respect of directors of Snowball Group Limited, the parent entity of the Group.

As the application of AASB 3 as set out in Note 1(a) only applies to the consolidated financial statements, the application of AASB 3 has no impact on the director remuneration disclosures. The disclosures therefore represent the remuneration of the directors of Snowball Group Limited for the 2007 financial year and comparative 2006 financial year.

#### Key Management Personnel

The implications of the application of AASB 3 on the Key Management Personnel disclosures are as follows:

- The 2007 disclosures represent 5 months of the combined WPFG and Outlook (from February 2007 to June 2007) and 7 months of WPFG (from July 2006 to January 2007).
- The 2006 disclosures represent 12 months of WPFG.

In respect of the period February to June 2007 i.e. 5 months of the combined WPFG and Outlook, the following persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly:

Name	Position	Employer
C Scarcella	Chief Operating Officer	Snowball Capital Limited
S Quirk	Group Executive - Business Services *	Snowball Capital Limited
N Collett	Group Executive - Sales	Outlook Financial Solutions Pty Ltd
S Forrest	General Counsel	Snowball Capital Limited
K Wilson	Executive Manager - Dealer Services	Outlook Financial Solutions Pty Ltd
R Ellis	Executive Manager - Accounting and Financial Compliance	Snowball Capital Limited

\* S Quirk was admitted to the executive team during May 2007 when he commenced employment with the Group.

# Notes to the financial statements (continued)

30 June 2007

## Note 26. Key management personnel disclosures (continued)

In respect of the period July 2006 to January 2007 i.e. 7 months of WPG, the following persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly:

Name	Position	Employer
D Guy	Executive Chairman	Officium Group Pty Ltd *
J Nunan	Chief Operating Officer to October 2006, Chief Executive Officer thereafter	Officium Group Pty Ltd *
G Pritchard	Chief Executive Officer until cessation of employment in October 2006	Officium Group Pty Ltd *
N Adams	Financial Controller	Officium Group Pty Ltd *

\* *Officium Group Pty Ltd was formerly Western Pacific Group Holdings Pty Ltd. Officium Group Pty Ltd was the parent entity of WPG until 7 February 2007. Officium Group Pty Ltd is now the ultimate parent entity of Snowball Group Limited.*

D Guy, J Nunan and G Pritchard were also key management persons during the 2006 financial year.

N Adams was admitted to the executive team in May 2006.

G Cruse (Chief Financial Officer) and M Jones (Financial Controller) were key management persons during the 2006 financial year. G Cruse ceased employment in April 2006, and M Jones ceased employment in March 2006.

### (c) Key management personnel compensation

	Consolidated		Parent entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Short-term employee benefits	1,595,359	1,175,664	-	-
Post-employment benefits	966,357	101,822	-	-
Long-term benefits	3,656	886	-	-
Share-based payments	128,744	31,611	-	-
	2,694,116	1,309,983	-	-

The Company has taken advantage of the relief provided by *Corporations Regulation* 2M-6-04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 25 to 32.

# Notes to the financial statements (continued)

30 June 2007

## Note 26. Key management personnel disclosures (continued)

### (d) Equity instrument disclosures relating to key management personnel

#### (i) Options provided as remuneration and shares issued on exercise of such options

Details of the options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on report on pages 33 to 37.

#### (ii) Option holdings

The numbers of options over ordinary shares in the Company held during the 2007 financial year by each director of Snowball Group Limited and the key management personnel of the Group identified on pages 104 and 105, including their personally related parties, are set out below.

2007 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<b>Directors of Snowball Group Limited</b>						
A Brown	-	-	-	-	-	-
A McDonald	1,170,160	1,500,000	-	-	2,670,160	1,170,160
M Campbell	950,860	-	(400,000)	-	550,860	550,860
R Dhawan	-	-	-	-	-	-
D Guy (from 7/02/07)	-	-	-	-	-	-
Q Jones	-	-	-	-	-	-
<b>Other key management personnel of the Group</b>						
C Scarcella *	1,165,540	1,500,000	-	-	2,665,540	1,165,540
S Quirk *	-	500,000	-	-	500,000	-
N Collett *	-	500,000	-	-	500,000	-
S Forrest *	-	-	-	-	-	-
K Wilson *	154,233	-	-	(8,033)	146,200	146,200
R Ellis *	100,000	-	-	-	100,000	100,000
D Guy **	-	-	-	-	-	-
J Nunan **	-	-	-	-	-	-
G Pritchard **	-	-	-	-	-	-
N Adams **	-	-	-	-	-	-

\* As set out on page 104, this employee has been identified as a key management person of the consolidated group from 7 February to 30 June 2007.

\*\* As set out on page 105, this employee has been identified as a key management person of the consolidated group from 1 July 2006 to 6 February 2007.

# Notes to the financial statements (continued)

30 June 2007

## Note 26. Key management personnel disclosures (continued)

The numbers of options over ordinary shares in the Company held during the 2006 financial year by each director of Snowball Group Limited and the key management personnel of the Group identified on pages 104 and 105, including their personally related parties, are set out below.

2006 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<b>Directors of Snowball Group Limited</b>						
A Brown	-	-	-	-	-	-
A McDonald	590,000	625,000	-	(44,840)	1,170,160	545,160
M Campbell	515,000	475,000	-	(39,140)	950,860	475,860
R Dhawan (from 14/6/06)	-	-	-	-	-	-
P Johnson (to 14/6/06)	-	-	-	-	-	-
Q Jones	-	-	-	-	-	-
<b>Other key management personnel of the Group</b>						
C Scarcella *	1,041,747	625,000	-	(501,207)	1,165,540	540,540
S Quirk *	-	-	-	-	-	-
N Collett *	-	-	-	-	-	-
K Wilson *	58,033	100,000	-	(3,800)	154,233	54,233
R Ellis *	-	100,000	-	-	100,000	-
D Guy **	-	-	-	-	-	-
J Nunan **	-	-	-	-	-	-
G Pritchard **	-	-	-	-	-	-
N Adams **	-	-	-	-	-	-
G Cruse **	-	-	-	-	-	-
M Jones **	-	-	-	-	-	-

\* As set out on page 104, this employee has been identified as a key management person of the consolidated group from 7 February to 30 June 2007. Due to the acquisition of WPFPG being classified as a reverse acquisition in accordance with AASB 3, this employee was not a key management person of the consolidated group during the 2006 financial year, despite that they were disclosed as such in the 2006 Annual Report of Snowball Group Limited.

\*\* As set out on page 105, this employee has been identified as a key management person of the consolidated group during the 2006 financial year.

# Notes to the financial statements (continued)

30 June 2007

## Note 26. Key management personnel disclosures (continued)

### (iii) Share holdings

The numbers of ordinary shares in the Company held during the 2007 financial year by each director of Snowball Group Limited and the key management personnel of the Group identified on pages 104 and 105, including their personally related parties, are set out below.

<b>2007</b>					
Name	Balance at the start of the year	Granted during year as remuneration	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
<b>Directors of Snowball Group Limited</b>					
A Brown <sup>(1)</sup>	-	-	-	-	-
A McDonald	865,712	-	-	-	865,712
M Campbell	1,258,653	-	400,000	-	1,658,653
R Dhawan <sup>(2)</sup>	-	-	-	-	-
D Guy (from 7/02/07) <sup>(3)</sup>	-	-	-	-	-
Q Jones <sup>(2)</sup>	-	-	-	-	-
<b>Other key management personnel of the Group</b>					
C Scarcella *	644,000	-	-	-	644,000
S Quirk *	-	-	-	-	-
N Collett *	-	-	-	-	-
S Forrest *	-	-	-	-	-
K Wilson *	1,000	-	-	-	1,000
R Ellis *	-	-	-	-	-
D Guy ** <sup>(3)</sup>	-	-	-	-	-
J Nunan **	-	-	-	-	-
G Pritchard **	-	-	-	-	-
N Adams **	-	-	-	-	-

# Notes to the financial statements (continued)

30 June 2007

## Note 26. Key management personnel disclosures (continued)

*\* As set out on page 104, this employee has been identified as a key management person of the consolidated group from 7 February to 30 June 2007.*

*\*\* As set out on page 105, this employee has been identified as a key management person of the consolidated group from 1 July 2006 to 6 February 2007.*

<sup>(1)</sup> Mr Brown is the Managing Director of Tidewater Investments Limited, and owns 23.9% of that company's shares at 30 June 2007. Tidewater Investments Limited, and its wholly owned subsidiaries, hold 1,506,975 shares in Snowball Group Limited at 30 June 2007.

<sup>(2)</sup> Mr Dhawan and Mr Jones are directors of Equity Partners Two Pty Ltd (EP2), the registered holder of 8,228,125 shares in Snowball Group Limited at 30 June 2007. EP2 holds those shares on trust for a number of institutional investors, being the investors in the Equity Partners 2 Fund. Mr Dhawan and Mr Jones are also directors of Equity Partners Management Pty Limited (EPM), the registered holder of 30,448 ordinary shares in the Snowball Group Limited at 30 June 2007 and as at the date of this report entities associated with each of them own 33.33% of EPM. EPM may potentially benefit from a profit share arrangement with EP2 in relation to the ultimate sale of the shares in Snowball Group Limited held by EP2.

<sup>(3)</sup> Mr Guy is the Executive Chairman of Officium Group Pty Ltd, and owns 16.98% of that company's shares at 30 June 2007. Officium Group Pty Ltd, and its wholly owned subsidiaries, hold 92,067,392 shares (12,000,000 at 7 February 2007, being the date that Mr Guy became a director) in Snowball Group Limited at 30 June 2007.

# Notes to the financial statements (continued)

30 June 2007

## Note 26. Key management personnel disclosures (continued)

The numbers of ordinary shares in the Company held during the 2006 financial year by each director of Snowball Group Limited and the key management personnel of the Group identified on pages 104 and 105, including their personally related parties, are set out below.

<b>2006</b>	Balance at the start of the year	Granted during year as remuneration	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Name					
<b>Directors of Snowball Group Limited</b>					
A Brown <sup>(1)</sup>	-	-	-	-	-
A McDonald	812,712	-	-	53,000	865,712
M Campbell	1,180,320	-	-	78,333	1,258,653
R Dhawan (from 14/6/06) <sup>(2)</sup>	-	-	-	-	-
P Johnson (to 14/6/06)	-	-	-	-	-
Q Jones <sup>(2)</sup>	-	-	-	-	-
<b>Other key management personnel of the Group</b>					
C Scarcella *	557,000	-	-	87,000	644,000
S Quirk *	-	-	-	-	-
N Collett *	-	-	-	-	-
K Wilson *	1,000	-	-	-	1,000
R Ellis *	-	-	-	-	-
D Guy ** <sup>(3)</sup>	-	-	-	-	-
J Nunan **	-	-	-	-	-
N Adams **	-	-	-	-	-
G Cruse **	-	-	-	-	-
M Jones **	-	-	-	-	-

# Notes to the financial statements (continued)

30 June 2007

## Note 26. Key management personnel disclosures (continued)

*\* As set out on page 104, this employee has been identified as a key management person of the consolidated group from 7 February to 30 June 2007. Due to the acquisition of WPFG being classified as a reverse acquisition in accordance with AASB 3, this employee was not a key management person of the consolidated group during the 2006 financial year, despite that they were disclosed as such in the 2006 Annual Report of Snowball Group Limited.*

*\*\* As set out on page 105, this employee has been identified as a key management person of the consolidated group during the 2006 financial year.*

<sup>(1)</sup> Mr Brown is the Managing Director of Tidewater Investments Limited, and owns 31.4% of that company's shares at 30 June 2006. Tidewater Investments Limited, and its wholly owned subsidiaries, hold 354,683 shares in Snowball Group Limited at 30 June 2006.

<sup>(2)</sup> Mr Dhawan and Mr Jones are directors of Equity Partners Two Pty Ltd (EP2), the registered holder of 17,228,125 shares in Snowball Group Limited at 30 June 2006. EP2 holds those shares on trust for a number of institutional investors, being the investors in the Equity Partners 2 Fund. Mr Dhawan and Mr Jones are also directors of Equity Partners Management Pty Limited (EPM), the registered holder of 30,448 ordinary shares in the Snowball Group Limited at 30 June 2006. EPM may potentially benefit from a profit share arrangement with EP2 in relation to the ultimate sale of the shares in Snowball Group Limited held by EP2.

<sup>(3)</sup> Mr Guy is the Executive Chairman of Officium Group Pty Ltd, and owns approximately 12.0% of that company's shares at 30 June 2006. Officium Group Pty Ltd, and its wholly owned subsidiaries, hold 12,000,000 shares in Snowball Group Limited at 30 June 2006.

There were no shares granted during the reporting period as compensation.

### **(e) Loans to key management personnel**

No loans to directors of Snowball Group Limited or to the other key management personnel of the Group were made during the year, including to their personally related parties.

### **(f) Other transactions with key management personnel**

There were no other transactions with the directors of Snowball Group Limited or with the other key management personnel of the Group during the year, including with their personally related parties.

# Notes to the financial statements (continued)

30 June 2007

## Note 27. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	<b>Consolidated</b>		<b>Parent entity</b>	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>(a) Assurance services</b>				
<i>Audit services</i>				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the Corporations Act 2001	203,429	-	217,500	87,000
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	-	5,285	-	-
Total remuneration for audit services	203,429	5,285	217,500	87,000
<i>Other assurance services</i>				
PricewaterhouseCoopers Australian firm				
IFRS accounting services	-	-	-	30,000
Total remuneration for other assurance services	-	-	-	30,000
Total remuneration for assurance services	203,429	5,285	217,500	117,000
<b>(b) Taxation services</b>				
PricewaterhouseCoopers Australian firm				
Tax consolidation advice	2,000	-	2,000	65,500
Other taxation advice	18,600	-	18,600	-
Total remuneration for taxation services	20,600	-	20,600	65,500

## Note 28. Contingencies

### Contingent liabilities

The Group had contingent liabilities at 30 June 2007 in respect of:

#### Guarantees

Guarantee given for assets lodged with ASIC for the purpose of maintaining AFSL requirements amounting to \$60,000 (2006: \$20,000). At 30 June 2006, the Group had provided a guarantee to the Commonwealth Bank for obligations under a \$15 million bill facility for a related party.

# Notes to the financial statements (continued)

30 June 2007

## Note 29. Commitments

### (a) Contract commitments

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Commitments for various services contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	81	-	4	10
	<b>81</b>	<b>-</b>	<b>4</b>	<b>10</b>

### (b) Lease commitments: Group company as lessee

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-cancellable operating leases	2,872	531	-	-
Future finance charges on finance leases	-	-	-	-
	<b>2,872</b>	<b>531</b>	<b>-</b>	<b>-</b>

### (i) Operating leases

The Group leases various offices under non-cancellable operating leases expiring within six years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	682	120	-	-
Later than one year but not later than five years	2,046	411	-	-
Later than five years	144	-	-	-
	<b>2,872</b>	<b>531</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements (continued)

30 June 2007

## Note 29. Commitments (continued)

### (ii) Finance leases

The Group leases various equipment with a carrying amount of \$6,188 (2006: nil) under finance leases expiring within one year.

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Commitments in relation to finance leases are payable as follows:				
Within one year	8	-	-	-
Later than one year but not later than 5 years	-	-	-	-
Minimum lease payments	8	-	-	-
Future finance charges	-	-	-	-
Recognised as a liability	8	-	-	-
Representing lease liabilities:				
Current	8	-	-	-
Non-current	-	-	-	-
	8	-	-	-

The weighted average interest rate implicit in the leases is 17% (2006: nil).

## Note 30. Related party transactions

### (a) Parent entities

The parent entity within the Group is Snowball Group Limited. The ultimate Australian parent entity is Officium Group Pty Ltd which at 30 June 2007 owned 63.16% (2006: 19.87% through a subsidiary, Western Pacific Investments Pty Ltd) of the issued ordinary shares of Snowball Group Limited.

### (b) Subsidiaries

Interests in subsidiaries are set out in Note 32.

### (c) Key management personnel

Disclosures relating to key management personnel are set out in Note 26.

# Notes to the financial statements (continued)

30 June 2007

## Note 30. Related party transactions (continued)

### (d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2007 \$	2006 \$	2007 \$	2006 \$
<i>Sales of services</i>				
Performance fee rebate received from a subsidiary of the ultimate parent entity	448,507	-	-	-
Cost reimbursements by the ultimate parent entity	111,681	-	-	-
Sponsorship of conference by a subsidiary of the ultimate parent entity	30,000	-	-	-
Finance support services provided to the ultimate parent entity	13,333	-	-	-
IT support services provided to a subsidiary of the ultimate parent entity	12,000	-	-	-
IT support services provided to the ultimate parent entity	8,430	-	-	-
Cost reimbursements by a subsidiary of the ultimate parent entity	749	-	-	-
<i>Purchases of services</i>				
Commissions paid to related parties of the Key Management Personnel	3,258,167	2,758,537	-	-
Service fees paid to the ultimate parent entity	795,927	1,344,744	-	-
Research services provided by the ultimate parent entity	75,000	-	-	-
Secondment of Steven Forrest, General Counsel, from the ultimate parent entity	69,177	-	-	-
<i>Tax consolidation legislation</i>				
Current tax payable assumed from wholly-owned tax consolidated entities	-	-	1,924,819	637,628
<i>Dividend revenue</i>				
Subsidiaries	-	-	842,019	-
Associates	-	-	149,000	-
<i>Superannuation contributions</i>				
Contributions to superannuation funds on behalf of employees	604,472	-	-	-

# Notes to the financial statements (continued)

30 June 2007

## Note 30. Related party transactions (continued)

	<b>Consolidated</b>		<b>Parent entity</b>	
	2007 \$	2006 \$	2007 \$	2006 \$
<i>Other transactions</i>				
Dividends paid to the ultimate parent entity	3,200,000	695,000	-	-
Dividends paid to a subsidiary of the ultimate parent entity	-	-	120,000	-
Remuneration paid to directors of the ultimate parent entity	12,500	19,999	12,500	-
Paid by the consolidated group to the ultimate Australian parent entity as part-consideration for the acquisition of WPFPG (the accounting acquirer)	4,434,649	-	-	-

### (e) Outstanding balances arising from sales/purchases of services

	<b>Consolidated</b>		<b>Parent entity</b>	
	2007 \$	2006 \$	2007 \$	2006 \$
<i>Current receivables (sales of services)</i>				
Ultimate parent entity	37,692	165	-	-
Subsidiaries of the ultimate parent entity	2,200	110	-	-
Directors	-	4,412	-	-
Key Management Personnel	-	773	-	-
<i>Current payables (purchases of services)</i>				
Ultimate parent entity	22,455	200,859	-	-
Directors	16,500	-	-	-
Commission payable to related parties of the Key Management Personnel	-	281,312	-	-

# Notes to the financial statements (continued)

30 June 2007

## Note 30. Related party transactions (continued)

### (f) Loans to/(from) related parties

	Consolidated		Parent entity	
	2007 \$	2006 \$	2007 \$	2006 \$
<i>Loans to subsidiaries</i>				
Loans at the beginning of the year	-	-	10,308,805	9,935,092
Movements in loans during the year	-	-	(1,210,648)	373,713
Loans at the end of the year	-	-	9,098,157	10,308,805
Provision for doubtful debts at the beginning of the year	-	-	6,973,116	3,516,271
Provision for doubtful debts expense	-	-	(4,378,864)	3,456,845
Provision for doubtful debts at the end of the year	-	-	2,594,252	6,973,116
Loans to subsidiaries, net of provision for doubtful debts	-	-	6,503,905	3,335,689
<i>Loans to/(from) other related parties</i>				
Beginning of the year	1,780,000	(700,000)	-	-
Loans advanced	470,851	2,480,000	470,851	-
Loan repayments received	(1,780,000)	-	-	-
Interest charged	47,205	-	47,205	-
Loans at the end of the year	518,056	1,780,000	518,056	-

### (g) Terms and conditions

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders.

The terms and conditions of the tax funding agreement are set out in Note 7.

The loan between the parent entity and its other related parties as disclosed above is payable on 30 June 2009, or as otherwise agreed in writing. Interest is applied to the outstanding portion of the loan at the bank bill rate, plus 3.75% per annum.

Outstanding balances are unsecured and are repayable in cash.

# Notes to the financial statements (continued)

30 June 2007

## Note 31. Business combination

### (a) Summary of acquisition and purchase consideration

Snowball Group Limited completed the legal acquisition of Western Pacific Financial Group Pty Ltd on 7 February 2007.

*Western Pacific Financial Group will be referred to in this report as "WPFG", the original Snowball prior to that date as "Outlook", and the combined group as "Snowball".*

Under the terms of AASB 3 *Business Combinations*, WPFG was deemed to be the accounting acquirer in the business combination. This transaction has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly, the consolidated financial statements of the Snowball Group Limited group have been prepared as a continuation of the consolidated financial statements of WPFG. WPFG, as the deemed acquirer, has accounted for the acquisition of Outlook from 7 February 2007.

The cost of the business combination in a reverse acquisition is deemed to have been incurred by the legal subsidiary (i.e. WPFG), in the form of equity instruments issued to the shareholders of the legal parent (i.e. Snowball Group Limited). Accordingly, the cost of the business combination has been determined below with reference to the fair value of all the issued equity instruments of Snowball Group Limited immediately prior to the business combination.

It is impractical to accurately measure what the acquired business contributed to revenues and net profit from the period February to June 2007, as many of the personnel and associated expenses previously subsumed in WPFG, were allocated to Management companies within Outlook.

Details of the provisional fair value of Outlook's assets and liabilities and goodwill acquired by WPFG are as follows:

	\$'000
Purchase consideration:	
64,280,468 shares, (being the number of ordinary shares of the legal parent, Snowball Group Limited, before the business combination), multiplied by 78 cents per share	50,139
1,014,102 shares (being the number of shares expected to be issued to the vendors of the Dunhill business as deferred consideration), multiplied by 78 cents per share	791
6,555,487 options on hand at 7 February 2007, multiplied by the difference between 78 cents per share and their exercise price	3,105
Total purchase consideration	54,035
Fair value of net identifiable assets acquired (see below)	20,797
Goodwill	33,238

# Notes to the financial statements (continued)

30 June 2007

## Note 31. Business combination (continued)

### (b) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	<b>Acquiree's carrying amount</b>	<b>Fair value</b>
	\$'000	\$'000
Cash	3,152	3,152
Receivables	4,193	4,193
Other financial assets	1,377	2,300
Property, plant and equipment	559	559
Deferred tax assets	298	298
Intangibles	129	23,182
Trade payables	(2,378)	(2,378)
Interest bearing liabilities	(1,569)	(1,569)
Current tax liabilities	(451)	(451)
Employee provisions	(802)	(802)
Deferred tax liabilities	(771)	(7,687)
Net assets	3,737	20,797
<b>Net identifiable assets acquired</b>		<b>20,797</b>

The goodwill is attributable to the profitability of the acquired business and synergies expected to arise after the Group's acquisition of the new subsidiary. The fair value of assets and liabilities acquired were considered the approximate fair value. No acquisition provisions were created.

# Notes to the financial statements (continued)

30 June 2007

## Note 32. Subsidiaries

The following are the entities that are the legal subsidiaries of Snowball Group Limited, the parent entity of the Group.

The consolidated financial statements would normally incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1 (b), however, as described in Note 1 (a), the financial statements have been prepared on the basis of a reverse acquisition, where for accounting purposes, WPFPG is treated as the acquirer of Outlook, even though from a legal perspective Outlook acquired WPFPG.

Name of entity	Country of incorporation	Class of shares	Equity * Holding	
			2007 %	2006 %
Snowball Capital Limited	Australia	Ordinary	100	100
Snowball Investment Research Pty Ltd	Australia	Ordinary	100	100
Snowball Financial Limited	Australia	Ordinary	100	100
Campbell Wallis Moule & Co Pty Ltd	Australia	Ordinary	100	100
Outlook Financial Solutions Pty Ltd	Australia	Ordinary	100	100
Outlook Tax & Accounting Solutions Pty Ltd (formerly CWM Taxation Services Pty Ltd)	Australia	Ordinary	75**	100
Outlook Financial Planning Pty Ltd	Australia	Ordinary	100	100
Western Pacific Financial Group Pty Ltd	Australia	Ordinary	100	-

\* The proportion of ownership interest is equal to the proportion of voting power held.

\*\* Snowball Group Limited sold 25% of its economic interest in the Accounting Services segment to the two principals of that business. This sale occurred prior to the acquisition of Western Pacific Financial Group Pty Ltd, and in accordance with the explanation regarding the principles of reverse acquisition accounting contained in Note 1(a), the accounting loss on the sale is not included in the consolidated income statement.

# Notes to the financial statements (continued)

30 June 2007

## Note 33. Investments in associates

### (a) Carrying amounts

As explained in Note 1(a), AASB 3 requires that consolidated financial statements prepared following a reverse acquisition shall be issued under the name of the legal parent (i.e. Snowball Group Limited), but be a continuation of the financial statements of the legal subsidiary (i.e. Western Pacific Financial Group Pty Ltd (WPFG) - the acquirer for accounting purposes).

Therefore, despite the fact that the 25% interest in the QTCU Financial Planning Pty Ltd associate has been held by the parent entity since 1 October 2005, only the \$111,235 (net of the amortisation of separately identifiable intangibles arising on the acquisition of the ownership interest) contributed by the investment post 7 February 2007 has been recognised in the consolidated columns below.

Information relating to the associate is set out below.

Name of company	Principal activity	Ownership interest		Consolidated		Parent entity	
		2007 %	2006 %	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>Unlisted</i>							
QTCU Financial Planning Pty Ltd	Financial advice	25	* 25	2,262	* -	1,222	1,248
				2,262	-	1,222	1,248

\* As explained above, the investment has been owned by the parent entity since 1 October 2005, but due to the application of reverse acquisition principles, by the consolidated entity since 7 February 2007.

The above associate is incorporated in Australia.

### (b) Movements in carrying amounts

	Consolidated	
	2007 \$'000	2006 \$'000
Carrying amount at the beginning of the financial year	-	-
Acquisition of ownership interest	2,300	-
Dividends received	(149)	-
Share of profits after income tax accrued (refer (c) & (d) below)	127	-
Dividend received in excess of accrual	5	-
Amortisation of separately identifiable intangibles arising on the acquisition of the ownership interest	(21)	-
	2,262	-

# Notes to the financial statements (continued)

30 June 2007

## Note 33. Investments in associates (continued)

The investment is carried at cost by the parent entity (refer to Note 12), but has been fair valued in the consolidated accounts, which resulted in an uplift in the value of the investment by \$923,000 following the acquisition of Western Pacific Financial Group Pty Ltd (refer to Note 31). The investment was independently fair valued by PKF Corporate Advisory at 7 February 2007 using the dividend yield method, cross checked by reference to capitalisation of future maintainable earnings method.

### (c) Share of associates' profits or losses

	Consolidated	
	2007 \$'000	2006 \$'000
Profit before income tax	181	-
Income tax expense	(54)	-
Profit after income tax	127	-

### (d) Summarised financial information of associates

	Group's share of:			
	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit \$'000
<b>2007</b>				
QTCU Financial Planning Pty Ltd	437	201	* 381	* 127
	437	201	381	127
<b>2006</b>				
QTCU Financial Planning Pty Ltd	-	-	-	-
	-	-	-	-

\* As explained on page 121, despite the fact that the 25% interest in the QTCU Financial Planning Pty Ltd associate has been held by the parent entity since 1 October 2005, only the amounts contributed by the investment post 7 February 2007 have been recognised.

# Notes to the financial statements (continued)

30 June 2007

## Note 33. Investments in associates (continued)

### (e) Share of associates' expenditure commitments, other than for the supply of inventories

	Consolidated	
	2007 \$'000	2006 \$'000
Capital commitments	-	-
Lease commitments	-	-
<b>(f) Contingent liabilities of associates</b>		
Share of incurred jointly with other investors	-	-
For which the company is severally liable	-	-

## Note 34. Events occurring after the balance sheet date

Subsequent to the end of the financial year, the directors have resolved to pay a final ordinary dividend of 2 cents per share, fully franked. The record date for determining the entitlement to this dividend is 28 September 2007.

## Note 35. Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Profit/(loss) for the year after income tax	4,715	3,027	4,897	(13,274)
Amortisation	670	-	-	-
Depreciation	200	106	-	-
Dividends recognised as investing receipt	(149)	-	(991)	-
Forgiveness of inter-company loans	-	-	-	404
(Impairment)/reversal of prior impairment of amounts owing from controlled entities	-	-	(4,379)	12,736
Non-cash employee benefits expense - share based payments	177	-	-	-
Profit attributable to minority interest	16	-	-	-
Share of profits of associates not received as dividends	38	-	-	-

# Notes to the financial statements (continued)

30 June 2007

## Note 35. Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities (continued)

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Change in operating assets and liabilities, net of effects from purchase of controlled entity:				
(Increase) decrease in trade debtors	90	(1,297)	(12)	-
(Increase) decrease in WIP	181	-	-	-
(Increase) decrease in prepayments	91	31	(47)	-
(Increase) decrease in accrued income	(1,634)	-	-	17
(Increase) decrease in other debtors	(71)	-	1	-
(Increase) decrease in other operating assets	-	-	-	2
Increase (decrease) in trade creditors	(1,902)	1,546	-	-
Increase (decrease) in provision for income tax	152	1,005	(388)	(480)
Increase (decrease) in other provisions	207	-	-	-
Increase (decrease) in other operating liabilities	1,294	72	(27)	-
Net cash inflow/(outflow) from operating activities	4,075	4,490	(946)	(595)

## Note 36. Non-cash investing and financing activities

Acquisitions of entities by means of a component of equity issue are shown in Note 31.

Options issued to employees under the Snowball Group Limited Employee Share Option Plan for no cash consideration are shown in Note 38.

## Note 37. Earnings per share

### (a) Basic earnings per share

	Consolidated	
	2007 Cents	2006 Cents
Profit from continuing operations attributable to the ordinary equity holders of the Company	4.47	3.78
Profit attributable to the ordinary equity holders of the Company	4.47	3.78

# Notes to the financial statements (continued)

30 June 2007

## Note 37. Earnings per share (continued)

### (b) Diluted earnings per share

	Consolidated	
	2007 Cents	2006 Cents
Profit from continuing operations attributable to the ordinary equity holders of the Company	4.27	3.78
Profit attributable to the ordinary equity holders of the Company	4.27	3.78

### (c) Reconciliations of earnings used in calculating earnings per share

	Consolidated	
	2007 Cents	2006 Cents
<i>Basic earnings per share</i>		
Profit from continuing operations	4,715	3,027
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	4,715	3,027
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	4,715	3,027
<i>Diluted earnings per share</i>		
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	4,715	3,027
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	4,715	3,027
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	4,715	3,027

### (d) Weighted average number of shares used as the denominator

Further to Note 1(a), in accordance with AASB 3, the 2007 Weighted Average Number of Ordinary Shares is determined as follows:

- From 1 July 2006 to 7 February 2007: deemed to be the number of ordinary shares issued by Snowball Group Limited to the vendors of Western Pacific Financial Group Pty Ltd (WPFPG) in the reverse acquisition, being 80,067,392.
- From 8 February 2007 to 30 June 2007: the actual number of ordinary shares (and options for the diluted Earnings per Share calculation) of Snowball Group Limited outstanding during that period.

# Notes to the financial statements (continued)

30 June 2007

## Note 37. Earnings per share (continued)

In accordance with AASB 3, the 2006 Weighted Average Number of Ordinary Shares is deemed to be the number of ordinary shares issued by Snowball Group Limited to the vendors of WPFM in the reverse acquisition, being 80,067,392.

	Consolidated	
	2007 Number	2006 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	105,502,253	80,067,392
Adjustments for calculation of diluted earnings per share:		
Options	3,962,662	-
Shares to be issued as deferred consideration for the acquisition of a controlled entity	1,053,893	-
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<u>110,518,808</u>	<u>80,067,392</u>

### (e) Information concerning the classification of securities

#### (i) Options

Options are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. Options have not been included in the determination of basic earnings per share. Details relating to options granted to employees under the Snowball Group Limited Employee Share Option Plan are set out in Note 38.

## Note 38. Share-based payments

### (a) Employee Option Plan

The establishment of the Snowball Group Limited Employee Share Option Plan was approved by shareholders at a general meeting of shareholders on 21 December 2001.

# Notes to the financial statements (continued)

30 June 2007

## Note 38. Share-based payments (continued)

On 22 April 2002, 848,566 options were issued to 39 eligible employees of the Group who were entitled to be granted options pursuant to the abovementioned plan. Of the 848,566 options, 25% vested on the first anniversary of the date of issue, and the balance were to vest in equal monthly instalments over the two-year period commencing on the first anniversary of the date of issue. On termination of an employee's services for any reason, any options that had not vested were lapsed. All options that had not lapsed were fully vested on 22 April 2005. The exercise price for these options is \$1.00, and the options expired on 22 April 2007.

On 2 July 2004, 3,500,000 options were issued to 21 eligible employees of the Group under a management and staff incentive scheme, who were entitled to be granted options pursuant to the abovementioned plan. The options were divided equally among three tranches, and on the vesting date for each tranche, those options vested if the listed price was greater than the target price. Partial vesting of the options occurred if, on the vesting date, the listed price was greater than the minimum vesting price, but lower than the target price. The exercise price for these options is \$0.20, and the options expire five years after the vesting date for each of the tranches.

On 26 October 2005, 3,600,000 options were issued to 20 eligible employees of the Group under a management and staff incentive scheme, who were entitled to be granted options pursuant to the abovementioned plan. There were two vesting periods - the early vesting window and the normal vesting window. The options fully vested during the early vesting window, as the listed price was greater than the target price. Had the options not vested during the early vesting window, the options would have vested in the normal vesting window if the listed price was greater than the target price, or partial vesting of the options would have occurred if, on the vesting date for the normal vesting window, the listed price was greater than the minimum vesting price, but lower than the target price. The exercise price for these options is \$0.40, and the options expire five years after the vesting date.

On 7 February 2007, 3,000,000 options were issued to Tony McDonald and Carl Scarcella, who were entitled to be granted options pursuant to the abovementioned plan. The options are divided equally among five tranches, and on the vesting date for each tranche, those options vest if the option holder is employed by Snowball Group Limited, or a subsidiary of it, at that vesting date. The exercise price for each tranche of options is \$0.69, \$0.79, \$0.91, \$1.05 and \$1.21 respectively. The options within each tranche expire four years after vesting date for the first and second tranches, three years after vesting date for the third and fourth tranches, and two years after vesting date for the fifth tranche.

# Notes to the financial statements (continued)

30 June 2007

## Note 38. Share-based payments (continued)

On 27 March 2007, 1,000,000 options were issued to Simon Quirk and Nick Collett, who were entitled to be granted options pursuant to the abovementioned plan. The options are divided equally among five tranches, and on the vesting date for each tranche, those options vest if the option holder is employed by Snowball Group Limited, or a subsidiary of it, at that vesting date. The exercise price for each tranche of options is \$0.83, \$0.93, \$1.04, \$1.16 and \$1.30 respectively. The options within each tranche expire four years after vesting date for the first and second tranches, three years after vesting date for the third and fourth tranches, and two years after vesting date for the fifth tranche.

Set out below are summaries of options granted under the plan.

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
<b>Parent entity - 2007</b>								
	Tranche:	Tranche:						
	1: 31 Dec 2011	1: \$0.83	-	200,000	-	-	200,000	-
	2: 31 Dec 2012	2: \$0.93	-	200,000	-	-	200,000	-
	3: 31 Dec 2012	3: \$1.04	-	200,000	-	-	200,000	-
27 Mar 2007	4: 31 Dec 2013	4: \$1.16	-	200,000	-	-	200,000	-
	5: 31 Dec 2013	5: \$1.30	-	200,000	-	-	200,000	-
	Tranche:	Tranche:						
	1: 31 Dec 2011	1: \$0.69	-	600,000	-	-	600,000	-
	2: 31 Dec 2012	2: \$0.79	-	600,000	-	-	600,000	-
	3: 31 Dec 2012	3: \$0.91	-	600,000	-	-	600,000	-
7 Feb 2007	4: 31 Dec 2013	4: \$1.05	-	600,000	-	-	600,000	-
	5: 31 Dec 2013	5: \$1.21	-	600,000	-	-	600,000	-
26 Oct 2005	14 Apr 2012	\$0.40	3,600,000	-	(215,000)	(115,000)	3,270,000	3,270,000
2 Jul 2004	5 years after vesting	\$0.20	3,189,701	-	(542,314)	-	2,647,387	2,647,387
22 Apr 2002	22 Apr 2007	\$1.00	595,800	-	-	(595,800)	-	-
			<u>7,385,501</u>	<u>4,000,000</u>	<u>(757,314)</u>	<u>(710,800)</u>	<u>9,917,387</u>	<u>5,917,387</u>
Weighted average exercise price			\$0.36	\$0.96	\$0.26	\$0.90	\$0.57	\$0.31

# Notes to the financial statements (continued)

30 June 2007

## Note 38. Share-based payments (continued)

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
<b>Parent entity - 2006</b>								
26 Oct 2005	14 Apr 2012	\$0.40	-	3,600,000	-	-	3,600,000	-
2 Jul 2004	5 years after vesting	\$0.20	3,483,334	-	(29,533)	(264,100)	3,189,701	3,189,701
22 Apr 2002	22 Apr 2007	\$1.00	601,470	-	-	(5,670)	595,800	595,800
			4,084,804	3,600,000	(29,533)	(269,770)	7,385,501	3,785,501
Weighted average exercise price			\$0.32	\$0.40	\$0.20	\$0.22	\$0.36	\$0.33

No options were forfeited during the periods covered by the above tables.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2007 was \$0.79 (2006: \$0.47).

The weighted average remaining contractual life of employee share options outstanding at the end of the period was 5 years (2006: 5 years).

### Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2007 was between \$0.12 and \$0.24 per share, depending on the tranche to which the option relates. The fair value at grant date was independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2007 included:

- 4,000,000 options are granted for no consideration.
- The options are divided equally among five tranches.
- The vesting date for each tranche is as follows: 31 December 2007, 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011.
- On the vesting date for each tranche, the options vest if the option holder is employed by Snowball Group Limited, or a subsidiary of it, at that vesting date.

# Notes to the financial statements (continued)

30 June 2007

## Note 38. Share-based payments (continued)

- (e) Exercise price:
  - For the options granted on 7 February 2007: the exercise price for each tranche of options is \$0.69, \$0.79, \$0.91, \$1.05 and \$1.21.
  - For the options granted on 27 March 2007: the exercise price for each tranche of options is \$0.83, \$0.93, \$1.04, \$1.16 and \$1.30.
- (f) Grant date: 7 February 2007 for 3,000,000 options, and 27 March 2007 for 1,000,000 options.
- (g) Expiry date: Tranche 1 – 31 December 2011; Tranche 2 – 31 December 2012; Tranche 3 – 31 December 2012; Tranche 4 – 31 December 2013; and Tranche 5 – 31 December 2013.
- (h) Share price at grant date: \$0.85 at 7 February 2007 and \$0.75 at 27 March 2007.
- (i) Expected volatility of the Company's shares: 35%. The expected volatility is based on a consideration of the historic volatility of the share price of Snowball Group Limited shares, and the historical volatility of shares prices of Australian listed companies operating in the same or similar sectors as Snowball Group Limited.
- (j) Expected dividend yield: assumed half a cent dividend growth rate per annum.
- (k) Risk-free interest rate: 5.84%.

The assessed fair value at grant date of options granted during the year ended 30 June 2006 was between \$0.06 and \$0.07 per share. The fair value at grant date was independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2006 included:

- (a) 3,600,000 options are granted for no consideration.
- (b) There were two vesting periods – the early vesting window (15 February 2007 to 15 August 2007) and the normal vesting window (15 August 2007 to 15 October 2007). The options fully vested during the early vesting window, as the listed price was greater than the target price. Had the options not vested during the early vesting window, the options would have vested in the normal vesting window if the listed price was greater than the target price, or partial vesting of the options would have occurred if, on the vesting date for the normal vesting window, the listed price was greater than the minimum vesting price, but lower than the target price. The minimum vesting price and target price ranged from \$0.56 to \$0.70.
- (c) Exercise price: \$0.40.
- (d) Grant date: 28 October 2005.
- (e) Expiry date: five years after the vesting date, being 12 April 2007.
- (f) Share price at grant date: \$0.38.

# Notes to the financial statements (continued)

30 June 2007

## Note 38. Share-based payments (continued)

- (g) Expected volatility of the Company's shares: 40%. The expected volatility is based on a consideration of the historic volatility of the share price of Snowball Group Limited shares, and the historical volatility of shares prices of Australian listed companies operating in the same or similar sectors as Snowball Group Limited.
- (h) Expected dividend yield: nil.
- (i) Risk-free interest rate: 5.48%.

### (b) Employee share scheme

The establishment of the Snowball Group Limited Employee Share Plan was approved by shareholders on 18 April 2002.

On 18 April 2002, 41,000 shares were issued to 41 eligible employees of the Group who were entitled to be granted shares pursuant to the abovementioned plan. Each employee received \$1,000 worth of fully-paid ordinary shares in Snowball Group Limited for no cash consideration.

No shares were issued under the Company's employee share scheme during the financial years ended 30 June 2006 and 30 June 2007.

### (c) Expenses arising from share-based payment transactions

As explained in Note 1(a), AASB 3 requires that consolidated financial statements prepared following a reverse acquisition shall be issued under the name of the legal parent (i.e. Snowball Group Limited), but be a continuation of the financial statements of the legal subsidiary (i.e. Western Pacific Financial Group Pty Ltd (WPFPG) - the acquirer for accounting purposes).

Therefore, despite the fact that the employees of Snowball Group Limited's subsidiaries recognised expenses arising from share-based payment transactions during the 2006 financial year, and during the period 1 July 2006 to 6 February 2007, only the \$177,000 expensed post 7 February 2007 has been recognised in the consolidated columns below.

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Options issued under employee option plan	177	-	-	-
	177	-	-	-

# Directors' declaration

30 June 2007

In the directors' opinion:

- (a) the financial statements and notes set out on pages 58 to 131 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 25 to 37 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and
- (d) at the date of this declaration, there are reasonable grounds to believe that the members of Snowball Group Limited identified in Note 32 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 19.

The directors have been given the declarations by the Chief Executive Officer and the Chief Operating Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



A J Brown  
Director  
Sydney  
27 September 2007

## Independent auditor's report to the members of Snowball Group Limited

### Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Snowball Group Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Snowball Group Limited and the Snowball Group Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 25 to 37 of the directors' report and not in the financial report.

#### *Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

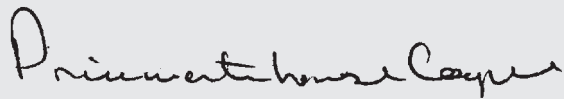
*Auditor's opinion on the financial report*

In our opinion:

- (a) the financial report of Snowball Group Limited is in accordance with the *Corporation Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

*Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report*

In our opinion, the remuneration disclosures that are contained in pages 25 to 37 of the directors' report comply with Accounting Standard AASB 124.



PricewaterhouseCoopers



Charles Christie  
Partner

Melbourne  
27 September 2007

# Shareholder information

30 June 2007

The shareholder information set out below was applicable as at 17 September 2007.

## A Distribution of equity securities

Analysis of numbers of security holders by size of holding:

	Class of equity security	
	Ordinary shares	Options
1 – 1,000	182	-
1,001 – 5,000	231	-
5,001 – 10,000	65	1
10,001 – 100,000	157	7
100,001 and over	61	11
	<hr/>	<hr/>
	696	19

There were 59 holders of less than a marketable parcel of 618 ordinary shares.

## B Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	Percentage of issued shares
Officium Group Pty Ltd and subsidiaries	92,067,392	62.04
Citicorp Nominees Pty Ltd	8,626,901	5.81
Equity Partners Two Pty Ltd	8,228,125	5.54
RBC Dexia Investor Services Australia Nominees Pty Limited	3,955,409	2.66
ANZ Nominees Limited	2,262,429	1.52
Jawcamb Management Services Pty Ltd	1,773,683	1.19
Loftus Lane Investments Pty Ltd	1,506,975	1.02
Mr Max Campbell	1,272,583	0.86
Mr Tony McDonald	1,243,102	0.84
Mr Carl Frank Scarcella	1,165,540	0.79
Mr Philip Hedley Kelly & Mrs Elizabeth Mary Kelly	1,107,423	0.75
Equity Trustees Limited	993,330	0.67
Mr Albert Brouwer & Mrs Marilyn Brouwer & Mr Scott Brouwer	884,155	0.60

# Shareholder information (continued)

30 June 2007

## B Equity security holders (continued)

	Ordinary shares	
	Number held	Percentage of issued shares
Mr Maxwell Norman Campbell & Mrs Lynette Jean Campbell	741,000	0.50
Macnab Clarke Properties Pty Ltd	719,482	0.48
FNL Investments Pty Ltd	711,126	0.48
Ms Lynnette Ann Rodda	700,000	0.47
Mr Carl Frank Scarcella & Mrs Roslyn Elizabeth Scarcella	644,000	0.43
Mr Terance Williams	620,803	0.42
Mr Ronald Maurice Smith & Mrs Coralie Smith	620,798	0.42
Total ordinary shares quoted on ASX held by the top 20 holders	<u>129,844,256</u>	<u>87.49</u>

### *Unquoted equity securities*

#### **Options**

	Number on Issue
Options issued under the Management and Staff Incentive Scheme	977,627
Options issued under the Employee Option Plan	5,495,000
	<u>6,472,627</u>

## C Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Officium Group Pty Ltd and subsidiaries	92,067,392	62.04
Citicorp Nominees Pty Ltd	8,626,901	5.81
Equity Partners Two Pty Ltd	8,228,125	5.54

# Shareholder information (continued)

30 June 2007

## D Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

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

(b) Options

No voting rights.

## E On-market buy-back

There is no current on-market buy-back.





sn<sup>o</sup>wball  
GROUP LIMITED