VIRTUALPLUS HOLDINGS LIMITED

ABN 53 090 772 222

APPENDIX 4E

30 JUNE 2005

Appendix 4E

Preliminary final report
Year ending 30 June 2005

1.

Name of Entity	Virtualplus Holdings Limited
ABN	53 090 772 222
Year Ended	30 June 2005
Previous Corresponding Reporting Period	12 months to 30 June 2005

2. Results for Announcement to the Market

	Result $	**% Increase (Decrease)**	**$ Increase (Decrease)**
Revenues from ordinary activities	507,965	27.86%	110,693
(Loss) from ordinary activities after tax attributable to members	(450,161)	(23.81%)	(140,748)
Net (Loss) for the year attributable to members	(450,161)	(23.81%)	(140,748)

Dividends (distributions)	**Amount per Security**	**Franked amount per security**
Final Dividend Interim Dividend	Nil Nil	Nil Nil
Record date for determining entitlement to the dividends (if any)	N/A	N/A

3 – 5. Financial Statements

Statements of financial performance, financial position, cash flows and notes are attached.

6 – 7. Dividends

The company has not declared a dividend in respect of the current financial year.

8. Statement of Retained Earnings movements

Statement of Retained Earnings movements is attached.

9. Net tangible assets per security

	Current year	Previous corresponding period
Net tangible asset backing per ordinary security	6.50 cents	17.64 cents *

* The comparative has been restated to reflect the capital consolidation in December 2004.

10. Gain/Loss of Entity

Virtualplus Holdings Limited did gain and/or lose control over entities during the year.

11. Joint Ventures and Associates

Virtualplus Holdings Limited does not have any holdings in either associates or any joint venture entities.

12 and 14. Significant Information/Commentary

Statement of financial performance, financial position, cash flows and notes, which are attached, will provide a more detailed understanding of the Company.

13. Foreign entity

Virtualplus Holdings Limited is not a foreign entity. Financial reports are prepared in accordance with the Corporations Act 2001, applicable Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

15 – 17. This report is based on accounts that are in the process of being audited. The accounts are not subject to audit dispute or qualification.

The Appendix 4E is also to be read in conjunction with the half yearly financial report for the period ended 31 December 2004 and all ASX releases under the code, VPH.

Copies of all ASX releases:

www.asx.com.au
www.mbox.com.au

For further information:

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Company Secretary
Virtualplus Holdings Limited
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STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated	Company	
		2005	2005	2004
		$	$	$
Revenue from rendering of services	2	419,110	419,110	234,585
Other revenues from ordinary activities	2	88,855	88,855	162,687
Total Revenue	2	507,965	507,965	397,272
Administration expenses		617,301	617,219	465,874
Depreciation expenses		72,043	72,043	111,818
Occupancy expenses		72,956	72,956	55,837
Other expenses		218,287	218,287	405,236
		980,587	980,505	1,038,765
(Loss) from ordinary activities before related income tax benefit		(472,622)	(472,540)	(641,493)
Income tax benefit attributable to operating loss	4	22,461	22,461	50,584
Net (loss)		(450,161)	(450,079)	(590,909)
Net (loss) attributable to outside equity interests		-	-	-
Net (loss) attributable to members of the parent entity	12	(450,161)	(450,079)	(590,909)
Basic Loss per share (cents)	16		(2.750)	(3.852)

The statements of financial performance are to be read in conjunction with the notes of the financial statements set out on pages 7 to 19.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Note	Consolidated	Company	
		2005	2005	2004
		$	$	$
Current Assets				
Cash assets	5	1,081,770	1,081,691	2,799,048
Receivables	6	29,352	29,352	55,838
Total Current Assets		1,111,122	1,111,043	2,854,886
Non Current Assets				
Plant and equipment	7	150,846	150,846	172,434
Other financial assets	8	-	161	-
Total Non Current Assets		150,846	151,007	172,434
Total Assets		1,261,968	1,262,050	3,027,320
Current Liabilities				
Payables	9	67,398	67,398	31,371
Other	10	87,065	87,065	133,283
Total Current Liabilities		154,463	154,463	164,654
Total Liabilities		154,463	154,463	164,654
Net Assets		1,107,505	1,107,587	2,862,666
Equity				
Contributed equity	11	8,206,926	8,206,926	9,511,926
Accumulated losses	12	(7,099,421)	(7,099,339)	(6,649,260)
Total Equity		1,107,505	1,107,587	2,862,666

The statements of financial position are to be read in conjunction with the notes of the financial statements set out on pages 7 to 19.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated 2005 $	Company 2005 $	Company 2004 $
Cash flows from operating activities				
Receipts from customers		417,498	417,498	408,035
Payments to suppliers and employees		(918,760)	(918,678)	(970,839)
Interest received		88,855	88,855	144,411
Income tax refund		50,584	50,584	39,014
Net cash flows (used in) operating activities		(361,823)	(361,741)	(379,379)
Cash flows from investing activities				
Purchase of plant and equipment		(50,455)	(50,455)	(13,242)
Sale of investments		-	-	6,000
Payment for shares in Novacoat Holdings Limited		(1,400,000)	(1,400,000)	-
Proceeds of loan to subsidiary		-	(161)	-
Net cash flows (used in) investing activities		(1,450,455)	(1,450,616)	(7,242)
Cash flows from financing activities				
Proceeds from issue of shares		100,000	100,000	590,475
Capital raising costs		(5,000)	(5,000)	(29,523)
Net cash flows from financing activities		95,000	95,000	560,952
Net increase/(decrease) in cash held		(1,717,278)	(1,717,357)	174,331
Cash at beginning of the year	5	2,799,048	2,799,048	2,624,717
Cash at end of the year	5	1,081,770	1,081,691	2,799,048

RECONCILIATION OF OPERATING (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH (USED IN) OPERATING ACTIVITIES

	Consolidated 2005 $	Company 2005 $	Company 2004 $
Operating (loss) after income tax:	(450,161)	(450,079)	(590,909)
Add/(less) non cash items:			
Depreciation	72,043	72,043	111,818
Changes in assets and liabilities:			
(Increase)/decrease in receivables	26,486	26,486	(4,179)
Increase/(decrease) in payables	36,027	36,027	(4,333)
Increase/(decrease) in unearned income	(46,218)	(46,218)	119,454
Increase/(decrease) in provisions	-	-	(11,230)
	(361,823)	(361,741)	(379,379)

The statements of cash flows are to be read in conjunction with the notes of the financial statements set out on pages 7 to 19.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation
This financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of assets. The accounting policies have been consistently applied and are consistent with those of the previous year.

(b) Principles of Consolidation
Controlled entities
The financial statements of controlled entities are included from the date control commences until the date control ceases.

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

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

(c) Income tax
The consolidated entity adopts the liability method of tax effect accounting. Income tax benefit is calculated on operating loss adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different years for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits which include tax losses are only brought to account when their realisation is virtually certain.

(d) Acquisition of Assets
All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of consideration provided plus incidental costs directly attributable to the acquisition.

(e) Depreciation
Items of plant and equipment are depreciated over their estimated useful lives. The diminishing value method of depreciation is used.

The depreciation rates used for each class of asset are as follows:
- computer hardware - 40%
- computer software and licences - 40%
- furniture and fixtures – 20%

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

(f) Accounts Receivable
Trade debtors
The collectibility of debts is assessed at reporting date and a specific provision is made for any doubtful amounts. Trade debtors to be settled within 30 days are carried at amounts due.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Recoverable Amount of Non Current Assets Valued on a Cost Basis
The carrying amounts of non-current assets valued on the cost basis, are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value.

(h) Accounts Payable
Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

(i) Employee entitlements
Wages and salaries and annual leave
Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year end represent present obligations resulting from employees services provided to reporting date, calculated at the undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs.

(j) Revenue recognition
Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods and services of the same nature and value without any cash consideration are not recognised as revenues.

Services revenue
Services revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of services to entities outside the Company. To the extent to which the monies are received at year end in advance of the provision of services by the Company, recognition is deferred and recognised as the services are provided.

Interest revenue
Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets
The gross proceeds of non-current assets are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

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

(k) Investments
Other entities
Investments in other unlisted entities are carried at the lower of cost and recoverable amount.

(l) Superannuation Plan
Contributions to employee defined contribution superannuation plans are recognised as an expense as they are made.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Goods and Services Tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

(n) Earnings per share
Basic earning per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(o) Comparatives
There were no controlled entities during the year ended 30 June 2004. Accordingly, there is no comparatives information for the consolidated entity.

Basic and diluted EPS have been reinstated as at 30 June 2004 to ensure comparability as a result of the capital consolidation in December 2004.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated	Company	
	2005	2005	2004
	$	$	$
NOTE 2. REVENUE			
Rendering of Services Revenue from Operating Activities			
Sales of services	419,110	419,110	234,585
Other Revenues from Operating Activities			
Interest received	88,855	88,855	136,687
Other income	-	-	20,000
Proceeds from sale of investments	-	-	6,000
	88,855	88,855	162,687
Total Revenue	507,965	507,965	397,272

NOTE 3. OPERATING (LOSS)

Operating (loss) before income tax includes the following specific net gains and expenses:

Expenses

	Consolidated 2005 $	Company 2005 $	Company 2004 $
Other expenses:			
Carrying value of sale of investments	-	-	6,000
IT and Network expenses	190,986	190,986	329,373
Other expenses	27,301	27,301	69,863
	218,287	218,287	405,236
Research and Development costs	74,781	74,781	134,891

NOTE 4. TAXATION

Prima facie income tax on operating (loss) is reconciled to the income tax benefit provided in the financial statements as follows:

	Consolidated 2005 $	Company 2005 $	Company 2004 $
Prima facie income tax benefit on operating (loss) at 30% (2004: 30%)	(141,787)	(141,762)	(192,448)
Research and development costs	(5,608)	(5,608)	(10,116)
Non deductible expenditure:	216	216	12,556
Tax losses brought to account in relation to:			
Research and Development tax offset	(22,432)	(22,432)	(40,463)
Future income tax benefit not brought to account	147,150	147,125	179,887
Income tax benefit	(22,461)	(22,461)	(50,584)

Future income tax benefit calculated at 30% (2004: 30%) not taken to account:
The potential future income tax benefit, arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt.

	Consolidated 2005 $	Company 2005 $	Company 2004 $
Income tax losses	1,980,959	1,980,959	1,847,460
Timing differences	26,119	26,119	39,652
	2,007,078	2,007,078	1,887,112

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 4. TAXATION (Continued)

The potential future income tax benefit will only be obtained if:

(a) the relevant Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another Company in the consolidated entity in a accordance with Division 170 of the Income Tax Assessment Act 1997;

(b) the relevant Company and/or consolidated entity continues to comply with the conditions for deductibility imposed by the Law; and

(c) no changes in tax legislation adversely affect the relevant Company and/or consolidated entity in realising the benefit.

	Consolidated	Company	
	2005	2005	2004
	$	$	$
NOTE 5. CASH ASSETS			
Cash at Bank	1,081,770	1,081,691	2,799,048
	1,081,770	1,081,691	2,799,048

The bank accounts are at call and pay interest at a weighted average interest rate of 5.25% (2004: 5.18%) at 30 June 2005.

	Consolidated 2005 $	Company 2005 $	Company 2004 $
NOTE 6. RECEIVABLES			
Trade Debtors	2,501	2,501	2,705
Other Debtors	26,851	26,851	53,133
	29,352	29,352	55,838
NOTE 7. PLANT AND EQUIPMENT			
Computer hardware at cost	1,063,111	1,063,111	1,012,657
Accumulated depreciation	(932,517)	(932,517)	(873,375)
	130,594	130,594	139,282
Computer software and licences at cost	228,265	228,265	228,265
Accumulated depreciation	(209,452)	(209,452)	(196,911)
	18,813	18,813	31,354
Furniture and fixtures at cost	5,132	5,132	5,132
Accumulated depreciation	(3,693)	(3,693)	(3,334)
	1,439	1,439	1,798
Total plant and equipment (net book value)	150,846	150,846	172,434
Movement during the year			
Computer hardware			
Carrying amount at beginning of year	139,281	139,281	218,802
Additions	50,455	50,455	10,945
Depreciation	(59,142)	(59,142)	(90,466)
Carrying amount at end of year	130,594	130,594	139,281
Computer software and licences			
Carrying amount at beginning of year	31,354	31,354	52,256
Depreciation	(12,541)	(12,541)	(20,902)
Carrying amount at end of year	18,813	18,813	31,354

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated	Company	
	2005	2005	2004
	$	$	$
NOTE 7. PLANT AND EQUIPMENT (Continued)			
Furniture and fixtures			
Carrying amount at beginning of year	1,799	1,799	2,249
Depreciation	(360)	(360)	(450)
Carrying amount at end of year	1,439	1,439	1,799
NOTE 8. OTHER FINANCIAL ASSETS			
Loan to controlled entity	-	160	-
Shares in controlled entity at cost	-	1	-
	-	161	-

Refer Note 20 in relating to Investment in Controlled Entities.

	Consolidated 2005 $	Company 2005 $	Company 2004 $
NOTE 9. PAYABLES			
Trade creditors	49,673	49,673	26,371
Accrued expenses	17,725	17,725	5,000
	67,398	67,398	31,371
NOTE 10. OTHER			
Unearned income	87,065	87,065	133,283
	87,065	87,065	133,283
NOTE 11. CONTRIBUTED EQUITY			
Issued Capital			
Fully paid ordinary shares	8,206,926	8,206,926	9,511,926
	8,206,926	8,206,926	9,511,926

	Number of Shares	$
Movements in ordinary share capital:		
Balance 30 June 2003	56,566,017	8,950,974
Share Placement - $0.072 share - September 2003	8,201,604	560,952
Balance 30 June 2004	64,767,621	9,511,926
Capital reduction - December 2004	-	(1,400,000)
Capital consolidation (1:4) - December 2004	(48,575,592)	-
Share Placement - $0.12 - June 2005	833,334	95,000
Balance 30 June 2005	17,025,363	8,206,926

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

At 30 June 2005 the following options were on issue over ordinary shares of the Company:
- 70,000 (2004: 280,000) options on issue, exercisable at 31 cents each on or before 31 December 2005.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 11. CONTRIBUTED EQUITY (Continued)

The Options were subject to a (1:4) capital consolidation in December 2004.

These options do not entitle the holder to participate in any issue of the Company. 5,370,190 (2004: 5,370,190) options, exercisable at $1.00 each on or before 31 March 2005 which lapsed during the year.

Terms and conditions of 31 March 2005 options exercisable at 25 cents and 31 December 2005 options exercisable at 10 cents:

- Each Option entitles the holder to subscribe for one Share.
- The Options are exercisable at any time on or prior to the exercise date by notice in writing to the Company accompanied by payment of the exercise price;
- The Options are transferable;
- All shares issued upon exercise of the options will rank pari passu in all respect with the then existing shares of the Company;
- There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of options. The Company, however, will ensure that for the purposes of determining entitlements of any such issue, the books closing date will be at least ten Business Days after the issue is announced. This will give option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue;
- In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the Company, the number of the options or the exercise price of any options or both shall be constructed (as appropriate) in accordance with the requirements of ASX Listing Rules; and
- Options not exercised by the exercise date will automatically expire.

Ordinary shares issued as a result of the exercise of options, will rank equally and on the same terms and conditions as all other shareholders.

	Consolidated	Company	
	2005	2005	2004
	$	$	$
NOTE 12. ACCUMULATED LOSSES			
Accumulated losses at beginning of year	(6,649,260)	(6,649,260)	(6,058,351)
Net loss attributable to members of the parent entity	(450,161)	(450,079)	(590,909)
Accumulated losses at end of year	(7,099,421)	(7,099,339)	(6,649,260)

NOTE 13. DIRECTORS AND EXECUTIVE DISCLOSURES FOR DISCLOSING ENTITIES

a) Remuneration of Specified Directors and Specified Executives of the Company

Remuneration of Specified Directors and Specified Executives is disclosed in the Remuneration Report contained in the Directors Report, in accordance with the Regulation issued on 7 July 2005 that the amended the Corporations Act 2001 to provide relief from the duplication of information about the remuneration of specified directors and specified executives.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 13. DIRECTORS AND EXECUTIVE DISCLOSURES FOR DISCLOSING ENTITIES (Continued)

b) Equity Instruments

Option Holdings

There were no options over ordinary shares in the Company held directly, indirectly or beneficially, by any Specified Director and Specified Executive, including their personally-related entities during the reporting period.

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each Specified Director and Specified Executive, including their personally-related entities, is as follows:

	Held at 1 July 2004	Purchases	Capital Reconstruction	Sales	Held at 30 June 2005
Specified Directors					
R M Franco	6,261,890	-	(4,696,717)	-	1,565,173
T J Ammendola	4,000,000	-	(3,000,000)	-	1,000,000
D Christie	-	128,000	-	-	128,000
G A Gander	1,000,000	-	(750,000)	-	250,000
J B Pitcher	-	7,500	-	(7,500)	-

c) Loans and other transactions with Specified Directors and Executives

Other transactions with the Company

A number of Specified Directors and Specified Executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

The aggregate amounts recognised during the year relating to Specified Directors, Specified Executives and their personally-related entities were total revenue of $0 and total expenses of $62,870.

Details of the transactions are as follows:

	Transaction	2005 $	2004 $
Specified Directors			
P D Price	Legal services	62,870	39,653

During the period to 7 December 2004, Price Sierakowski a legal firm of which Mr P D Price is a Partner provided legal services to the Company.

From time to time, Specified Directors and Specified Executives of the Company or their Director-related entities, may purchase goods from the Company. These purchases are on the same terms and conditions as those entered into by other Company employees or customers and are trivial or domestic in nature.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 14. NON-DIRECTOR RELATED PARTIES

The classes of Non-Director related parties are: controlling entity of the Company, wholly-owned controlled entities, partly-owned controlled entities, commonly controlled entities, associates, joint-ventures entities and directors of related parties and their director-related entities.

Transactions

All transactions with Non-Director related parties are on normal terms and conditions. Loans to Non-Director related parties are interest free loans advanced by the Company of which no security is held over these loans.

	Consolidated	Company	
	2005	2005	2004
	$	$	$
Payables			
Aggregate amounts payable to Non-Director related parties:			
Non-Current			
Loan to controlled entities	-	160	-
	-	160	-

Percentage of equity interest

Details of equity interests held in classes of related parties is outlined in Note 20.

Ultimate parent entity

The ultimate parent and controlling entity in the wholly owned group is Virtualplus Holdings Limited, a Company incorporated in Western Australia.

NOTE 15. AUDITORS REMUNERATION

	Consolidated 2005	Company 2005	Company 2004
Amounts received or due and receivable by RSM Bird Cameron Partners:			
- auditing or reviewing the financial report	13,500	13,500	10,500
- other services	7,500	7,500	9,750
	21,000	21,000	20,250

NOTE 16. EARNINGS PER SHARE

	Consolidated 2005	Company 2004
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	16,372,394	15,335,143

Diluted earnings per share has not been disclosed as it is the same as the basic earnings per share.

The comparatives have been restated to reflect the capital consolidation (1:4) in December 2004.

NOTE 17. CONTINGENT LIABILITIES

The consolidated entity had no contingent liabilities as at 30 June 2005.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 18. FINANCIAL INSTRUMENTS

(a) Credit Risk Exposure

The credit risk on financial assets of the Company which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest Rate Risk Exposure

The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out on next page.

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

2005	Note	Floating interest rate	Fixed interest maturing in: 1 year or less	over 1 to 5 years	more than 5 years	Non-interest bearing	Total
Financial assets							
Cash	5	1,081,770	-	-	-	-	1,081,770
Receivables	6	-	-	-	-	29,352	29,352
		1,081,770	-	-	-	29,352	1,111,122
Weighted average interest rate		5.25%	-	-	-	-	
Financial Liabilities							
Trade creditors and accrued expenses	9	-	-	-	-	67,398	67,398
		-	-	-	-	67,398	67,398
Weighted average interest rate		-	-	-	-	-	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 18. FINANCIAL INSTRUMENTS (Continued)

2004	Note	Floating interest rate	Fixed interest maturing in: 1 year or less	over 1 to 5 years	more than 5 years	Non-interest bearing	Total
Financial assets							
Cash	5	2,799,048	-	-	-	-	2,799,048
Receivables	6	-	-	-	-	55,838	55,838
		2,799,048	-	-	-	55,838	2,854,886
Weighted average interest rate		5.18%	-	-	-	-	
Financial Liabilities							
Trade creditors and accrued expenses	9	-	-	-	-	31,371	31,371
		-	-	-	-	31,371	31,371
Weighted average interest rate		-	-	-	-	-	

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of the financial assets and liabilities are the same as their carrying amount.

NOTE 19. SEGMENT REPORTING

The consolidated entity operates in the information technology business segment in Australia.

NOTE 20. INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Equity Holding 2005 %
Virtualplus Australia Pty Ltd	100

Acquisition of controlled entities

Virtualplus Australia Pty Ltd was incorporated on 2 December 2004.
Novacoat Holdings Limited was incorporated on 1 October 2004.
Novacoat Workforce Pty Ltd was incorporated on 10 November 2004.
Novacoat (WA) Pty Ltd was incorporated on 10 December 2004.

Novacoat Workforce Pty Ltd and Novacoat (WA) Pty Ltd parent entity is Novacoat Holdings Limited and the ultimate holding company is Virtualplus Holdings Limited during the year ending 30 June 2005.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 20. INVESTMENT IN CONTROLLED ENTITIES (Continued)

On 14 December 2004 an in specie distribution of ordinary shares was made to existing Virtualplus Holdings Limited shareholders of 6,476,670 ordinary shares in Novacoat Holdings Limited. Therefore as at 14 December 2004, Novacoat Holdings Limited, Novacoat Workforce Pty Ltd and Novacoat (WA) Pty Ltd are no longer form part of the consolidated entity.

NOTE 21. ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the consolidated entity's and the parent entity's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The consolidated entity's management, with the assistance from its auditors, has assessed the significance of the expected changes and is preparing for their implementation. The directors and management is overseeing and managing the consolidated entity's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the consolidated entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the company's directors and management.

i) Share Based Payments

Under current Australian Accounting Standards, no expense is recognised for options issued to employee. Under AASB 2: Share-based Payments, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. AASB 2 is not limited to options and also extends to other forms of equity-based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2004. On transition, no adjustments are expected to arise in the company.

ii) Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

The directors and management has reassessed its impairment testing policy and tested all assets in the consolidated entity for impairment as at 1 July 2004 and 30 June 2005. No adjustments are required for the parent or consolidated entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 21. ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

iii) Income Tax

Currently, the consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

On transition, there is no expected financial impact on the parent or consolidated entity.

	Consolidated 2005	Company 2005
Reconciliation of Net Loss		
Net loss reported under Australian Accounting Standards	(450,161)	(450,079)
Key transitional adjustments:	-	-
Net loss under AIFRS	(450,161)	(450,079)
Reconciliation of Equity		
Total equity reported under Australian Accounting Standards	1,107,505	1,107,587
Retrospective adjustments to equity at 1 July 2004:	-	-
	1,107,505	1,107,587
Decrease in current year profit resulting from transition to AIFRS	-	-
Total equity under AIFRS	1,107,505	1,107,587