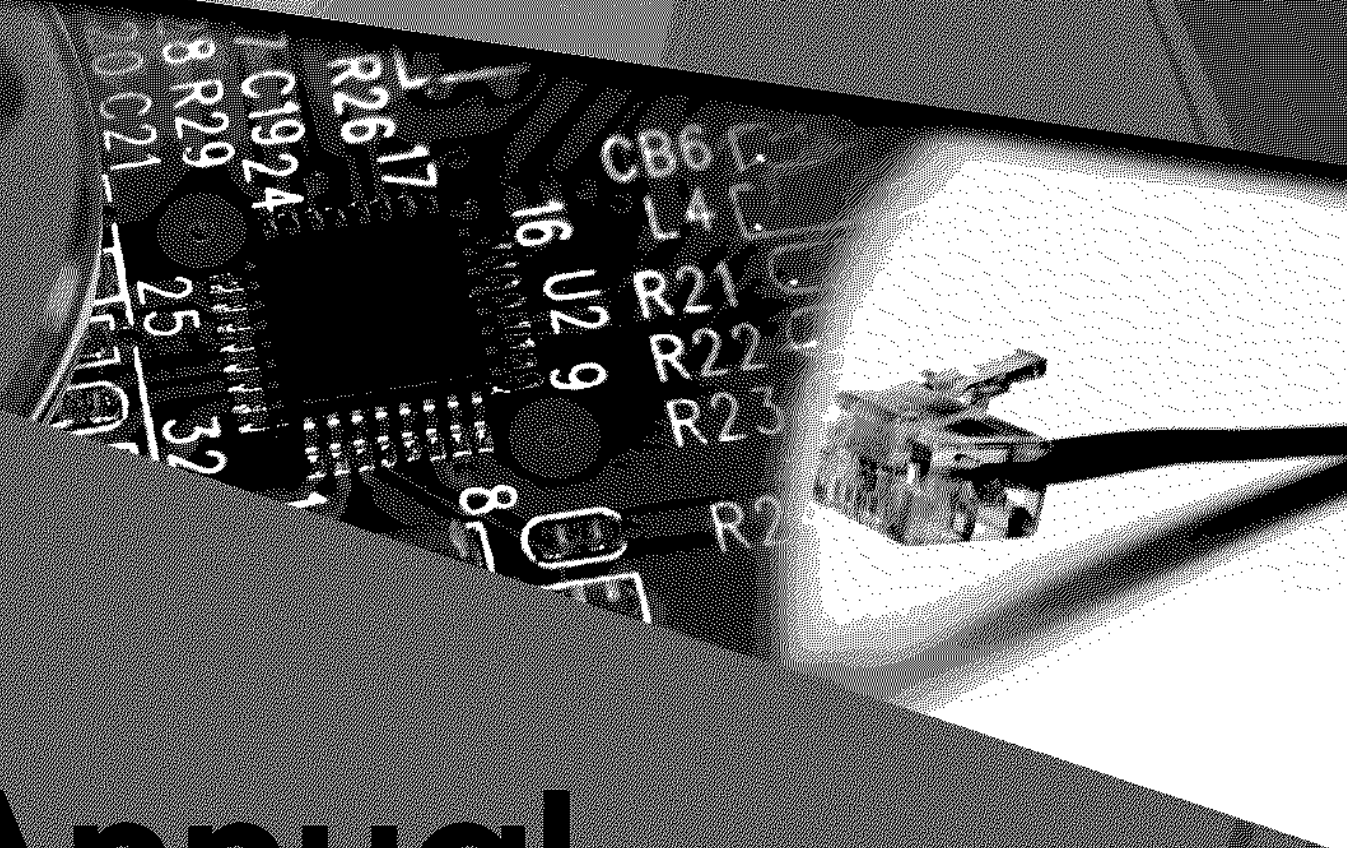




Virtualplus Holdings Limited



Annual *report 2005*

ABN 53 090 772 222

www.mbox.com.au



CORPORATE DIRECTORY

Directors and Officers

Gavin Argyle
Non-Executive Chairman

Geoff Gander
Executive Director

Robert Franco
Non-Executive Director

Andrew Meloncelli
Company Secretary/Financial Controller

Principal and Registered Office

104 Colin Street
West Perth WA 6005

PO Box 1617
West Perth WA 6872

Telephone +61 8 9214 2540
Facsimile +61 8 9214 2511
Email info@mbox.com.au
Website www.mbox.com.au

Auditors

RSM Bird Cameron Partners
8 St George's Terrace
Perth WA 6000

Bankers

Bank of Western Australia Limited
108 St George's Terrace
Perth WA 6000

Lawyers

Steinepreis Paganin
Level 4, 16 Milligan Street
Perth WA 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth WA 6000

Telephone +61 8 1300 557 010
Facsimile +61 8 9323 2033
Website www.computershare.com

ASX Code

Listed on the Australian Stock Exchange under the code VPH.

REVIEW OF OPERATIONS

Company Overview

Virtualplus Holdings Limited (formerly mBox.com Limited) operates a voice and data communication network platform throughout Australia and has points of presence in Brisbane, Melbourne, Perth and Sydney. This network is branded "mBox".

The Virtualplus Holdings Limited (VPH) technology composes traditional telecom fax and voice messages to electronic format, then deposits these formats as an attachment to an mBox web mail account. This transaction permits clients to access all forms of messaging in one single repository. Clients can conveniently access messages via the internet or by traditional telephony, hence the basis of Unified Messaging.

The mBox service can best be described as 'converged telecommunications and electronic messaging'. At the heart of the network are a number of IVR's (interactive voice response) systems. IVR's form the gateway between the traditional Telco world and the new era of digital Internet Protocol communications.

VPH applies an Application Service Provider (ASP) business model, thereby bundling various components of telecommunications and email to provide clever, low cost messaging solutions.

The year in summary

VPH (hereafter "The Company") went through some major changes during this financial year and a number of key outcomes took place. Some of these were more successful than others but in summary it has been a year where the Board have been able to leverage the Company's technology and cash resources in a bid to refocus the core business and to produce outcomes that have been acceptable to the Board and Shareholders.

The creation and subsequent listing of Novacoat Holdings Limited

On 13 October 2004, the Company announced its intention to acquire the Business and nominated assets of Novacoat, a subsidiary of the privately held Fero Industries Pty Ltd (Fero). The entire transaction was subject to shareholder approval and was made possible by the creation of a 100% owned subsidiary called Novacoat Holdings Limited (NVC) and for this subsidiary to have as its initial asset, \$1.4m in cash, with this cash coming from existing Company reserves.

The proposition was that, subject to shareholder approval, this entity would be "spun off" via an in specie distribution to existing VPH shareholders, meaning that a shareholder in VPH at the nominated Record Date would also be a shareholder in NVC.

The rationale behind the transaction was that NVC would offer Company shareholders exposure to the growing Mining Services sector and by utilising the initial \$1.4m in cash reserves allocated to the Company, NVC would be able to seek a listing on the Australian Stock Exchange (ASX) under its own identity. This process would require an additional capital raising of less than \$2m and the reduced need for shareholder spread as NVC already had over 1,500 shareholders via the process of the in specie distribution from the Company.

NVC was to have a new, industry specific Board and Management team and its success would provide an additional means by which shareholders could get a return on their investment.

On 7 December 2004 at the Company's Annual General Meeting (AGM), shareholders approved resolutions pertaining to the NVC transaction and the process of getting the new entity listed on the ASX begun. At the AGM there were also a number of NVC Board changes with the existing Directors, namely Paul Price and Tony Ammendola resigning and Dick Wright being appointed to the NVC Board.

Both Geoff Gander and Robert Franco remained on the NVC Board and a Prospectus later was released on 15 February 2005 seeking to raise a minimum of \$1.5m. The Prospectus closed in early April 2005 and Novacoat Holdings Limited, under the ASX code of NVC, was admitted to the ASX on 19 April 2005.

From a valuation perspective, at the date of the AGM on 7 December 2004, VPH shares were trading at 8 cents and the Board resolved to allocate the following arbitrary values to the Company:

- Existing mBox business: 5 cents
- Novacoat Holdings Limited: 3 cents

Subsequent to the AGM, NVC underwent a 1 for 10 capital reconstruction, giving the NVC shares a nominal value of 30 cents and additional capital was raised at this same price of 30 cents as part of the Prospectus released on 15 February 2005. In addition, the Business and assets of Novacoat purchased from Fero were also purchased on the basis that shares were issued to Fero were at a nominated value of 30 cents per share.

After the capital raising was completed, the share structure of the newly listed entity was:

- Existing shareholders: 6,476,670
- Fero Vendor shares (escrowed for 2 years from date of listing); 9,000,000
- Shares issued under the Prospectus: 5,330,183
- Total shares on issue (at a listing price of 30 cents per share): 20,806,853



The Board also sought a Class Ruling from the Australian Taxation Office (ATO) in relation to the in specie distribution and this confirmed (see ATO Class Ruling CR2005/47) that shareholders had no Capital Gains Tax implications from the transaction.

The Board of Directors feel that the overall Novacoat Holdings Limited transaction was a success and has enabled shareholders to participate in a sector that the Board believes has some positive upside in the coming years as the resources sector continues to grow in Australia.

Further information regarding the progress made with NVC will be found in relevant ASX announcements and the NVC Annual Report.

Proposed Acquisition of VirtualPlus Limited

On 13 October 2004, the Company also announced that it had signed a Heads of Agreement to purchase all the shares in a United Kingdom based business, VirtualPlus Limited. A Share Sale Agreement was subsequently signed on 2 November 2004 and this agreement outlined the steps that needed to be undertaken to enable mBox to purchase VirtualPlus Limited and thereby create a global Unified Messaging business, with Points of Presence in Australia, the United Kingdom, Europe and the United States.

The philosophy behind the transaction was that combining the two companies would provide an opportunity to:

- Broaden the reach of the mBox technology;
- Provide the Company with access to SMS and MMS technology;
- Provide the Company access to global markets;
- Enable the acquisition of a cash flow positive Company with a history of growing revenues and earnings; and
- Provide additional management expertise.

The proposed transaction required shareholder approval and the raising of additional funds via the issuing of a Prospectus. The details of the proposed transaction were approved at the AGM on 7 December 2004 and this led to a change to the Board of Directors with the resignation of Paul Price, Robert Franco and Tony Ammendola and the appointment of Don Christie and John Pitcher.

As the proposed acquisition of VirtualPlus Limited was deemed to represent a "change in the scale of the mBox business", the Company was obliged to comply with Chapters 1 and 2 of the ASX listing rules, which meant that the Company (now renamed Virtualplus Holdings Limited) was suspended from trading as at the date of the AGM and was to remain suspended until the transaction had been successfully completed.

Unfortunately the proposed transaction faced a number of hurdles and on 21 February 2005, the Company announced that a number of conditions precedent contained within the Share Sale Agreement with VirtualPlus Limited had not been met and as a result the transaction would not proceed.

This decision also led to the resignation of Don Christie and John Pitcher from the Board and the appointment of Robert Franco and Gavin Argyle as Directors.

The Current Operation

The Board met with the ASX after it was decided not to proceed with the VirtualPlus Limited transaction and it was agreed that the Company would have its suspension lifted on the basis that the Company was continuing to operate the mBox Unified Messaging Business, it had a detailed Business Plan that it was going to implement to continue to expand the business and that it had sufficient working capital to carry out the Business Plan.

In order to meet this requirement, the Company raised approximately \$100,000 via the issue of 833,334 shares at 12 cents per share. This meant that as at the date of readmission, there would be 17,025,363 shares on issue reflecting the 1 for 4 capital reconstruction approved by shareholders at the 7 December 2004 AGM.

On 21 April 2005, the Company was readmitted to the ASX trading under its new name of Virtualplus Holdings Limited and the ASX code VPH. It is important to note that it is the intention of the Board to change the name of the Company at the next Annual General Meeting of Shareholders removing potential confusion regarding an association with the VirtualPlus Limited business.

As discussed in the section above outlining the Novacoat Holdings Limited transaction, a nominal value of 5 cents per share was placed on the mBox business at the time of the "spin off" of the Novacoat Holdings Limited subsidiary. At the 7 December 2004 AGM, shareholders approved a 1 for 4 capital reconstruction for shares meaning that as at the date of readmission to the ASX, the nominal share price of the Company was 20 cents per share. The Board is aware that the current trading price of the shares is less than this figure and has been focused on bringing about cost savings and improving shareholder value since the Company was relisted in April 2005.

Managed Service Agreement with ZettaServe Pty Ltd

On 10 June 2005, the Company signed a Managed Service Agreement with the WA based Company ZettaServe Pty Ltd (ZettaServe). The Agreement allowed for ZettaServe to implement technical aspects of the Business Plan released to the ASX on 20 April 2005 which would fundamentally see a major upgrade to the mBox network throughout Australia and the provision of additional services to existing and new subscribers.

This arrangement is now fully operational and has meant that VPH has been able to significantly reduce its monthly cash outflows via reduction in office rental and staffing costs and continues to earn 10% of all revenues generated by the network. All other costs associated with the running of the network are now met by ZettaServe and the Company retain ownership of all the mBox Unified Messaging Intellectual Property.

As a 30 June 2005, the Company had over \$1m in cash and the Board is continuing to look for additional opportunities to expand the business.

DIRECTORS' REPORT

The Directors present their report together with the financial report of Virtualplus Holdings Limited ("the Company") and of the consolidated entity, being the Company and its controlled entities for the year ended 30 June 2005 and the auditor's report thereon.

Directors

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

Gavin Argyle - Non-Executive Chairman

Mr Argyle has 10 years experience in investment banking and stockbroking in Australia, including initiating, managing and completing share placements and initial public offerings for more than 30 companies.

Over the past 5 years, Mr Argyle has also been a Director of numerous private and public companies. He has extensive experience in the mining and investment industries, particularly in Western Australia. He has a significant knowledge and understanding of the financial criteria and methodology used in assessing investment proposals.

Mr Argyle is currently Director of Biron Capital Limited and a board member of Capital Investment Partners Pty Limited and was previously a Director of MedAire Inc. Mr Argyle was appointed as a Director on 23 March 2005.

Geoff Gander - Executive Director

Mr Gander graduated from the University of Western Australia in 1984 where he completed a Bachelor of Commerce Degree. Over the past 20 years, Mr Gander has held various senior management roles in technology companies including Sales and Regional Marketing Manager at IBM Australia and General Manager of the Global Electronic Payments and ASX listed Company, Intellect Holdings Limited.

Mr Gander now works as an industry consultant to a range of private and public companies. In addition to his Non-Executive Director role at Virtualplus Holdings Limited, Geoff sits on the Boards of the ASX listed Jupiter Energy Limited, Acuity Investment Management Limited, Novacoat Holdings Limited and Entek Energy Limited as well as the privately held companies Buyshop Limited and Highway1 (Australia) Pty Limited. Mr Gander was appointed as a Director on 20 November 2003.

Robert Franco - Non-Executive Director

Mr Franco graduated from the University of Western Australia after completing a degree in Engineering (Hons) and in Commerce. Mr Franco worked as an engineering consultant for a major multi-disciplinary national firm until 2001, holding status as a chartered professional engineer. His involvement included resource and commercial developments. Mr Franco has recently been involved in business development and financial management with Fero Industries Pty Ltd, a rapidly expanding Company in the mining services industry. Mr Franco is also the CEO and Executive Director of Novacoat Holdings Limited. Mr Franco was appointed as a Director on 7 March 2005.

Paul Price and Tony Ammendola were both Non-Executive Directors of the Company from 1 July 2004 until their resignations on 7 December 2004.

Don Christie was a Non-Executive Director of the Company from 7 December 2004 until his resignation on 23 March 2005.

John Pitcher was an Executive Director of the Company from 7 December 2004 until his resignation on 11 March 2005.

Tony Cunningham was an Alternate Director for Tony Ammendola from 13 August 2004 to 3 September 2004.

Company Secretary***Andrew Meloncelli***

Mr Meloncelli holds a Commerce Degree from the University of WA, is an Associate Member of the Institute of Chartered Accountants in Australia, Chartered Secretaries Australia and Securities Institute of Australia.

Mr Meloncelli has gained significant experience working for ASX junior listed companies in the areas of corporate compliance, finance, prospectus fundraisings and taxation. He has also previously been the Assistant Company Secretary for an ASX 200 Company.

Mr Meloncelli was appointed as Company Secretary/Financial Controller to Impress Ventures Limited (ITC), Virtualplus Holdings Limited (VPH) and Acuity Investment Management Limited (AMD) in January 2002, Carpathian Resources Limited (CPN) in April 2004 and Jupiter Energy Limited (JPR) in February 2005.

Principal Activity

The principal activity of the Consolidated Entity during the financial year was the development and marketing of enhanced electronic messaging and communication services to individuals and businesses throughout Australia. This includes the launch of SMS and necessary upgrades to the mBox network to prepare for outbound services both here in Australia and the Asia Pacific.

Consolidated Results

The consolidated loss for the year after income tax was \$450,161 (2004: \$590,909).

Review of Operations

A Review of Operations for the financial year and up to the date of this report is included in this document and should be read as part of the Directors' Report.

Significant Changes in the State of Affairs

There have been are no significant changes in the state of affairs of the Company during the financial year.

Likely Developments

The Company is continuing to develop additional services and markets for its unified messaging system, as well as considering additional information technology products, services and businesses.

Dividends

No dividends have been paid during the year and the Directors have not recommended that any dividend be paid.

Events subsequent to reporting date

Since 30 June 2005, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Directors' Interests

The relevant interests of each Director in the shares and options over such instruments issued by the Company, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary Shares	Options
G J Argyle	-	-
G A Gander	250,000	-
R M Franco	1,565,473	-

Options

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Exercise Price	Number under Option
31/12/2005	\$0.31	70,000

These options were consolidated (1:4) to being 70,000 (2004: 280,000) exercisable at 31 cents (2004: 10 cents) on or before 31 December 2005.

1,342,549 (2004: 5,370,190) options, exercisable at 91 cents (2004: 25 cents) each on or before 31 March 2005 lapsed during the year. No options were issued or exercised during the year.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Directors' meetings

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

	Board Meetings Held	Attended
G J Argyle	2	2
R M Franco	5	5
T J Ammendola	3	-
D Christie	5	5
P D Price	3	2
G A Gander	10	10
J B Pitcher	5	5
A R Cunningham	1	1

Remuneration Report

Remuneration levels for Directors, Secretaries, Senior Executives of the Company, and relevant group Executives of the consolidated entity ("the Directors and Senior Executives") are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives.

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

- the capability and experience of the Directors and Senior Executives
- the Directors and Senior Executives ability to control the relevant segment/s' performance
- the consolidated entity's performance including:
 - the consolidated entity's earnings
 - the growth in share price and returns on shareholder wealth
- the amount of incentives within each Directors and Senior Executives remuneration

Non-Executive Directors

Total remuneration for all Non-Executive Directors, is not to exceed \$150,000 per annum as disclosed in the IPO prospectus dated 27 January 2000.

The annual Non-Executive Directors fees payable per annum are:

	Base Emolument	Superannuation
G J Argyle	30,000	-
R M Franco	30,000	-

Executive Officers

Mr Gander is an Executive Director of the Company and the base Directors Fees are \$30,000 per annum plus \$150 per hour in consulting fees for fulfilling the Executive duties of the Company.

Mr Meloncelli is the Company Secretary of the Company and is employed by Impress Ventures Limited and costs are on a time basis and are no more than \$30,000 per annum.

Directors' and Executive Officers' remuneration

The remuneration of each Director and Executive Officer were as follows:

		Primary		Equity		
		Salary and	Post	Compensation	Other	Total
		fees	Employment		Compensation	
		Superannuation				
Specified Directors						
Non-Executive						
G J Argyle	2005	8,225	-	-	-	8,225
	2004	-	-	-	-	-
(Appointed 23 March 2005)						
R M Franco	2005	22,690	-	-	-	22,690
	2004	18,333	-	-	-	18,333
(Resigned 7 December 2004 and Reappointed 7 March 2005)						
T J Ammendola	2005	13,476	-	-	-	13,476
	2004	2,500	-	-	-	2,500
(Resigned 7 December 2004)						
D Christie	2005	14,100	-	-	-	14,100
	2004	-	-	-	-	-
(Appointed 7 December 2004 and Resigned 23 March 2005)						
P D Price	2005	13,125	-	-	-	13,125
	2004	30,000	-	-	-	30,000
(Resigned 7 December 2004)						
Executive						
G A Gander	2005	77,400	-	-	-	77,400
	2004	27,546	-	-	-	27,546
J B Pitcher	2005	5,564	-	-	-	5,564
	2004	-	-	-	-	-
(Appointed 7 December 2004 and Resigned 11 March 2005)						
Total, all Specified	2005	154,580	-	-	-	154,580
Directors	2004	78,379	-	-	-	78,379
Specified Executives						
A L Meloncelli	2005	23,875	2,148	-	-	26,023
	2004	23,875	2,148	-	-	26,023
Company Secretary/Financial Controller						
Total, all Specified	2005	23,875	2,148	-	-	26,023
Executives	2004	23,875	2,148	-	-	26,023

Environmental Issues

The Directors do not consider that there are any significant environmental issues that relate to the Company's activities.

Insurance premiums

Since the end of the previous financial year, the Company has paid insurance premiums of \$61,050 in respect of Directors' and officers' liability and legal expenses' insurance contracts, for past, present or future Directors or Officers of the Company, including any Company Secretary, and any Employee who is concerned in, or takes part in, the management of the Company.

The insurance premiums relate to:

- costs and expenses incurred by the Directors and Officers in defending proceedings, whether civil or criminal made against them alleging a wrongful act.
- damages awarded or judgments entered against the relevant Directors and Officers.

Corporate Governance

The Company's corporate governance statement is contained in the ASX Additional Information.

Non-audit services

The Board of Directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Board of Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2005:

Investigating Accountants Report - \$7,500

In accordance with section 307C of the Corporations Act 2001, the Directors have obtained a declaration of independence from RSM Bird Cameron Partners, the consolidated entity's auditors. This declaration, which forms part of the Directors' Report, is set out on page 10.

Dated at West Perth, 22 September 2005.

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

G A Gander
Director

RSM Bird Cameron Partners

Chartered Accountants

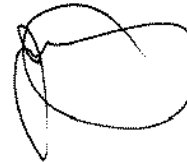
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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF VIRTUALPLUS HOLDINGS LIMITED

In relation to our audit of the financial statements of Virtualplus Holdings Limited for year ended 30 June 2005, to the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants



J A KOMNINOS
Partner

Perth, WA
Dated: 22 September 2005

RSM Bird Cameron Partners

Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF VIRTUALPLUS HOLDINGS LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Virtualplus Holdings Limited (the Company) and the consolidated entity, for year ended 30 June 2005. The consolidated entity comprises both the Company and the entities it controlled during the year.

The directors of the Company are responsible for preparing a financial report that gives a true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

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

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and of their performance as represented by the results of their operations and cash flows.

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

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

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

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the Company.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

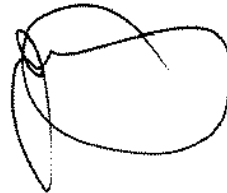
Audit Opinion

In our opinion, the financial report of Virtualplus Holdings Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Virtualplus Holdings Limited and the consolidated entity at 30 June 2005 and of their performance for ended 30 June 2005; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants



J A KOMNINOS
Partner

Perth, WA
Dated: 22 September 2005

DIRECTORS' DECLARATION

In the opinion of the Directors of Virtualplus Holdings Limited ("the Company"):

1. the financial statements and notes set out on pages 14 to 29, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (b) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. the Directors have been given the declarations required by Section 295A of Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2005.

Dated at West Perth, 22 September 2005.

Signed in accordance with a resolution of the Directors.

G A Gander
Director

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated 2005 \$	Company 2005 \$	Company 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	<u>507,965</u>	<u>507,965</u>	<u>397,272</u>
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	3	<u>218,287</u>	<u>218,287</u>	<u>405,236</u>
		<u>980,587</u>	<u>980,505</u>	<u>1,038,765</u>
(Loss) from ordinary activities before related income tax benefit		(472,622)	(472,540)	(641,493)
Income tax benefit attributable to operating loss	4	<u>22,461</u>	<u>22,461</u>	<u>50,584</u>
Net (loss)		(450,161)	(450,079)	(590,909)
Net (loss) attributable to outside equity interests		<u>-</u>	<u>-</u>	<u>-</u>
Net (loss) attributable to members of the parent entity	12	<u>(450,161)</u>	<u>(450,079)</u>	<u>(590,909)</u>
Basic Loss per share (cents)	16		<u>(2.750)</u>	<u>(3.852)</u>

The statements of financial performance are to be read in conjunction with the notes of the financial statements set out on pages 17 to 29.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2005

	Note	Consolidated 2005 \$	Company 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		<u>1,111,122</u>	<u>1,111,043</u>	<u>2,854,886</u>
Non Current Assets				
Plant and equipment	7	150,846	150,846	172,434
Other financial assets	8	-	161	-
Total Non Current Assets		<u>150,846</u>	<u>151,007</u>	<u>172,434</u>
Total Assets		<u>1,261,968</u>	<u>1,262,050</u>	<u>3,027,320</u>
Current Liabilities				
Payables	9	67,398	67,398	31,371
Other	10	87,065	87,065	133,283
Total Current Liabilities		<u>154,463</u>	<u>154,463</u>	<u>164,654</u>
Total Liabilities		<u>154,463</u>	<u>154,463</u>	<u>164,654</u>
Net Assets		<u>1,107,505</u>	<u>1,107,587</u>	<u>2,862,666</u>
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		<u>1,107,505</u>	<u>1,107,587</u>	<u>2,862,666</u>

The statements of financial position are to be read in conjunction with the notes of the financial statements set out on pages 17 to 29.

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		<u>(361,823)</u>	<u>(361,741)</u>	<u>(379,379)</u>
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		<u>(1,450,455)</u>	<u>(1,450,616)</u>	<u>(7,242)</u>
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		<u>95,000</u>	<u>95,000</u>	<u>560,952</u>
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	<u>1,081,770</u>	<u>1,081,691</u>	<u>2,799,048</u>
RECONCILIATION OF OPERATING (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH (USED IN) OPERATING ACTIVITIES				
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
(Decrease) in provisions		-	-	(11,230)
		<u>(361,823)</u>	<u>(361,741)</u>	<u>(379,379)</u>

The statements of cash flows are to be read in conjunction with the notes of the financial statements set out on pages 17 to 29.

**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 2005 \$	Company 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
	<u>88,855</u>	<u>88,855</u>	<u>162,687</u>
Total Revenue	<u><u>507,965</u></u>	<u><u>507,965</u></u>	<u><u>397,272</u></u>

NOTE 3. OPERATING (LOSS)

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

Expenses

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
	<u>218,287</u>	<u>218,287</u>	<u>405,236</u>
 Research and Development costs	 <u>74,781</u>	 <u>74,781</u>	 <u>134,891</u>

NOTE 4. TAXATION

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

Prima facie income tax benefit on operating (loss) at 30% (2004: 30%)	(141,787)	(141,762)	(192,448)
Research and development costs	(4,492)	(4,492)	(10,116)
Entertainment:	216	216	12,556
Tax losses brought to account in relation to:			
Research and Development tax offset	(17,969)	(17,969)	(40,463)
Future income tax benefit not brought to account	141,571	141,546	179,887
Income tax benefit	<u>(22,461)</u>	<u>(22,461)</u>	<u>(50,584)</u>

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.

Income tax losses	1,980,984	1,980,959	1,847,460
Timing differences	26,119	26,119	39,652
	<u>2,007,103</u>	<u>2,007,078</u>	<u>1,887,112</u>

**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 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
	<u>1,081,770</u>	<u>1,081,691</u>	<u>2,799,048</u>

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.

NOTE 6. RECEIVABLES

Trade Debtors	2,501	2,501	2,705
Other Debtors	26,851	26,851	53,133
	<u>29,352</u>	<u>29,352</u>	<u>55,838</u>

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)
	<u>130,594</u>	<u>130,594</u>	<u>139,282</u>
Computer software and licences at cost	228,265	228,265	228,265
Accumulated depreciation	(209,452)	(209,452)	(196,911)
	<u>18,813</u>	<u>18,813</u>	<u>31,354</u>
Furniture and fixtures at cost	5,132	5,132	5,132
Accumulated depreciation	(3,693)	(3,693)	(3,334)
	<u>1,439</u>	<u>1,439</u>	<u>1,798</u>
Total plant and equipment (net book value)	<u>150,846</u>	<u>150,846</u>	<u>172,434</u>

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	<u>130,594</u>	<u>130,594</u>	<u>139,281</u>

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	<u>18,813</u>	<u>18,813</u>	<u>31,354</u>

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

	Consolidated 2005 \$	Company 2005 \$	2004 \$
NOTE 7. PLANT AND EQUIPMENT (Continued)			
<i>Furniture and fixtures</i>			
Carrying amount at beginning of year	1,799	1,799	2,249
Depreciation	(360)	(360)	(450)
Carrying amount at end of year	<u>1,439</u>	<u>1,439</u>	<u>1,799</u>
NOTE 8. OTHER FINANCIAL ASSETS			
Loan to controlled entity	-	160	-
Shares in controlled entity at cost	-	1	-
	<u>-</u>	<u>161</u>	<u>-</u>
Refer Note 20 in relating to Investment in Controlled Entities.			
NOTE 9. PAYABLES			
Trade creditors	49,673	49,673	26,371
Accrued expenses	17,725	17,725	5,000
	<u>67,398</u>	<u>67,398</u>	<u>31,371</u>
NOTE 10. OTHER			
Unearned income	87,065	87,065	133,283
	<u>87,065</u>	<u>87,065</u>	<u>133,283</u>
NOTE 11. CONTRIBUTED EQUITY			
Issued Capital			
Fully paid ordinary shares	8,206,926	8,206,926	9,511,926
	<u>8,206,926</u>	<u>8,206,926</u>	<u>9,511,926</u>

	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	<u>17,025,363</u>	<u>8,206,926</u>

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 (2004: 10 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.

1,342,549 (2004: 5,370,190) options, exercisable at 91 cents (2004: 25 cents) each on or before 31 March 2005 lapsed during the year. No options were issued or exercised during the year.

Terms and conditions of 31 December 2005 options exercisable at 31 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 2005 \$	Company 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	<u>(7,099,421)</u>	<u>(7,099,339)</u>	<u>(6,649,260)</u>

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 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	-	(4,696,417)	-	1,565,473
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 13. DIRECTORS AND EXECUTIVE DISCLOSURES FOR DISCLOSING ENTITIES (Continued)

Assets and liabilities arising from the above transactions

	Consolidated 2005 \$	Company 2005 \$	2004 \$
Payables			
Trade Creditors	2,830	2,830	15,028
	<u>2,830</u>	<u>2,830</u>	<u>15,028</u>

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 2005 \$	Company 2005 \$	2004 \$
Payables			
Aggregate amounts payable to Non-Director related parties:			
Non-Current			
Loan to controlled entities	-	160	-
	<u>-</u>	<u>160</u>	<u>-</u>

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

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
	<u>21,000</u>	<u>21,000</u>	<u>20,250</u>

Consolidated 2005	Company 2004
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NOTE 16. EARNINGS PER SHARE

Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share

<u>16,372,394</u>	<u>15,335,143</u>
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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.

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

NOTE 17. CONTINGENT LIABILITIES

The consolidated entity had no contingent liabilities as at 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:			Non- interest bearing	Total
			1 year or less	over 1 to 5 years	more than 5 years		
Financial assets							
Cash	5	1,081,770	-	-	-	-	1,081,770
Receivables	6	-	-	-	-	29,352	29,352
		<u>1,081,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,352</u>	<u>1,111,122</u>
Weighted average interest rate		5.25%	-	-	-	-	
Financial Liabilities							
Trade creditors and accrued expenses	9	-	-	-	-	67,398	67,398
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,398</u>	<u>67,398</u>
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:			Non- interest bearing	Total
			1 year or less	over 1 to 5 years	more than 5 years		
Financial assets							
Cash	5	2,799,048	-	-	-	-	2,799,048
Receivables	6	-	-	-	-	55,838	55,838
		<u>2,799,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,838</u>	<u>2,854,886</u>
Weighted average interest rate		5.18%	-	-	-	-	
Financial Liabilities							
Trade creditors and accrued expenses	9	-	-	-	-	31,371	31,371
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,371</u>	<u>31,371</u>
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

<i>Name of Entity</i>	Equity Holding 2005 %
Virtualplus Australia Pty Ltd	<u>100</u>

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 Company'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 Company 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 Company 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	<u>(450,161)</u>	<u>(450,079)</u>
Reconciliation of Equity		
Total equity reported under Australian Accounting Standards	1,107,505	1,107,587
Retrospective adjustments to equity at 1 July 2004:	-	-
	<u>1,107,505</u>	<u>1,107,587</u>
Decrease in current year profit resulting from transition to AIFRS	-	-
Total equity under AIFRS	<u>1,107,505</u>	<u>1,107,587</u>

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDINGS (as at 22 September 2005)

Substantial shareholders

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

	Ordinary Shares	%
MR Franco and RM Franco and LM Franco/Mario Franco Superannuation Fund	1,565,473	9.19
W Brooks/Baracus Pty Ltd	1,499,038	8.80
Manikato Financial Services Pty Ltd	1,000,000	5.87

Voting Rights

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the Company. At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held.

Distribution of equity security holders

Category	Ordinary Shares	Options - 31 December 2005
1 – 1,000	587	-
1,001 – 5,000	674	-
5,001 – 10,000	99	-
10,001 – 100,000	165	1
100,001 and over	29	-
Total	1,554	1

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,176.

On-market buy back

There is no current on-market buy back.

Securities on Issue

The number of shares and options issued by the Company are set out below:

Category	Number
Ordinary Shares	17,025,363
Options – 31 December 2005	70,000

ASX ADDITIONAL INFORMATION (continued)**Twenty largest shareholders**

Name	Ordinary Shares	%
M R Franco and R M Franco and L M Franco	1,500,000	8.81
Baracus Pty Ltd <Brooks Family A/C>	1,000,000	5.87
Manikato Financial Services Pty Ltd	1,000,000	5.87
Flag Holdings Pty Ltd	550,000	3.23
S Georgiades	550,000	3.23
Larchmont Services Limited	533,364	3.13
Clodene Pty Ltd	499,291	2.93
Bee Dee Investments Ltd	400,000	2.35
Shah Nominees Pty Ltd <Louis Carsten S/F A/C>	378,223	2.22
W Brooks <Brooks Superannuation A/C>	312,500	1.84
Eagle River Holdings Pty Ltd	250,000	1.47
R M Ferguson-Gander	250,000	1.47
Newmek Investments Pty Ltd	250,000	1.47
T A Silbert	250,000	1.47
A Di Lanzo	200,000	1.17
Baracus Pty Ltd	186,538	1.10
D Keizer and L Keizer <The Keizer A/C>	175,000	1.03
M J De Marte	167,500	0.98
Bokal Nominees Pty Ltd	166,667	0.98
ANZ Nominees Limited <Cash Income A/C>	150,000	0.88
Total	8,769,083	51.50

CORPORATE GOVERNANCE STATEMENT

Recent external events have changed the way in which corporate governance responsibilities are viewed and in March 2003 the ASX Corporate Governance Council released its 'Principles of Good Corporate Governance and Best Practice Recommendations'. The principles of corporate governance have been developed, supported by best practice and implementation recommendations. The Council has recognised that these principals and recommendations do not contain a "one size fits all" solution and that it will be necessary for companies to adopt a "fit for purpose" solution in the adoption of these practices.

The ASX Listing Rules require listed entities to disclose the extent to which they have followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period. This corporate governance statement summarises the corporate governance practices that have been formally reviewed and adopted by the Board with a view to ensuring continued investor confidence in the operations of the Company and is endorsing the corporate governance principles relevant to a Company of Virtualplus's nature and size. A table has been included at the end of this statement detailing the Company's compliance with the best practice recommendations.

The Company's website at www.mbox.com.au contains a corporate governance section that includes copies of the Company's corporate governance policies.

BOARD OF DIRECTORS

Role of the Board (1.1)

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- To set the strategic direction for the Company and monitor progress of those strategies;
- Establish policies appropriate for the Company;
- Monitor the performance of the Company, the Board and management;
- Approve the business plan and work programmes and budgets;
- Authorise and monitor investment and strategic commitments;
- Review and ratify systems for health, safety and environmental management; risk and internal control; codes of conduct and regulatory compliance;
- Report to shareholders, including but not limited to, the Financial Statements of the Company; and
- Take responsibility for corporate governance.

Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations.

The names of Directors of the Company in office at the date of this statement are set out in the Directors' Report. Information regarding Directors' experience and responsibilities will be included in the Directors' Report section of the Annual Report (2.5).

The number of Directors is specified in the Constitution of the Company as a minimum of three up to a maximum of ten.

The preferred skills and experiences for a Director of the Company include:

- Information Technology;
- Legal;

- Business Development; and
- Public Company administration.

Chairman of the Board

The Chairman of the Board will be a Non-Executive Director and the Chairman will be elected by the Directors. The Board considers that the Chairman, Mr Gavin Argyle is independent **(2.2/2.3)**.

Independent Directors (2.1)

The Board considers that a Director is independent if that Director complies with the following criteria:

- Apart from Director's fees and shareholding, independent Directors should not have any business dealings which could materially affect their independent judgment;
- Must not have been in an Executive capacity in the Company in the last 3 years;
- Must not have been in an advisory capacity to the Company in the last 3 years;
- Must not be a significant customer or supplier for the Company;
- Must not be appointed through a special relationship with a board member;
- Must not owe allegiance to a particular group of shareholders which gives rise to a potential conflict of interest;
- Must not hold conflicting cross Directorships; and
- Must not be a substantial shareholder or a nominee of a substantial shareholder (as defined under section 9 of the Corporations Act).

Using the ASX Best Practice Recommendations on the assessment of the independence of Directors. The Board considers that of a total of three Directors one is considered to be independent (Mr Gavin Argyle).

Mr Geoff Gander is an Executive Director of the Company and is not considered to be independent. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr Robert Franco is a Non-Executive Director of the Company and is not considered to be independent. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Retirement and Rotation of Directors

Retirement and rotation of Directors are governed by the Corporations Act 2001 and the Constitution of the Company. Each year one third Directors must retire and offer themselves for re-election. Any casual vacancy filled will be subject to shareholder vote at the next Annual General Meeting of the Company.

Independent Professional Advice (2.5)

Each Director has the right to seek independent professional advice at the Company's expense after consultation with the Chairman. Once received the advice is to be made immediately available to all board members.

Access to Employees

Directors have the right of access to any employee. Any employee shall report any breach of corporate governance principles or Company policies to the Executive Director and/or Company Secretary/Financial Controller who shall remedy the breach. If the breach is not rectified to the satisfaction of the employee, they shall have the right to report any breach to an independent Director without further reference to senior managers of the Company.

Share Ownership

Directors are encouraged to own Company shares.

Board Meetings

The following points identify the frequency of Board Meetings and the extent of reporting from management at the meetings:

- A minimum of eight meetings are to be held per year;
- Other meetings will be held as required, meetings can be held by telephone link; and
- Information provided to the Board includes all material information on: operations, budgets, cash flows, funding requirements, shareholder movements, broker activity in the Company's securities, assets and liabilities, disposals, financial accounts, external audits, internal controls, risk assessment, new venture proposals, and health, safety and environmental reports.

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the financial year are set out in the Directors' Report.

Board Performance Review (8.1)

It is the policy of the Board to conduct an evaluation of its performance. The evaluation process was introduced via the Board Charter and was implemented for the year ended 30 June 2005. The objective of this evaluation will be to provide best practice governance of the Company.

Other Areas for Board Review

- Reporting to shareholders and the market to ensure trade in the Company's securities takes place in an efficient, competitive and informed market; and
- Insurance, both corporate and joint venture related insurances.

Board Committees

Audit Committee (4.2)

The Company does not have an audit committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by an audit committee can be adequately handled by the full Board.

A Director and the Company Secretary/Financial Controller declare in writing to the Board that the Company's financial statements for the year ended 30 June 2005 present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This representation is made by a Director and Company Secretary/Financial Controller prior to the Director's approval of the release of the annual and six monthly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management (4.1).

Nomination Committee (2.4)

The Board of Directors of the Company does not have a nomination committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a nomination committee can be adequately handled by the full Board.

Remuneration Committee (8.1) (9.2) (9.5)

The Company does not have a remuneration committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a remuneration committee can be adequately handled by the full Board.

Remuneration levels for Directors, Secretaries, Senior Executives of the Company, and relevant group Executives of the consolidated entity ("the Directors and Senior Executives") are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives.

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

- the capability and experience of the Directors and Senior Executives
- the Directors and Senior Executives ability to control the relevant segment/s' performance
- the consolidated entity's performance including:
 - the consolidated entity's earnings
 - the growth in share price and returns on shareholder wealth
- the amount of incentives within each Directors and Senior Executives remuneration

For details of remuneration paid to Directors and officers for the financial year please refer to the Directors' Report and Note 13 to the Financial Statements.

Risk Management (7.1)

The risks involved in an information technology Company and the specific uncertainties for the Company continue to be regularly monitored and the full Board of the Company meets on an annual basis to formally review such risks. All proposals reviewed by the Board include a conscious consideration of the issues and risks of the proposal.

The potential exposures associated with running the Company have been managed by the Executive Director, Company Secretary/Financial Controller and senior consultants who have significant broad-ranging industry experience, work together as a team and regularly share information on current activities.

Additionally, it is the responsibility of the Board to assess the adequacy of the Company's internal control systems and that its financial affairs comply with applicable laws and regulations and professional practices. A Director and the Company Secretary/Financial Controller declare in writing to the Board that the financial reporting risk management and associated compliance controls have been assessed and found to be operating efficiently and effectively. This representation is made by a Director and Company Secretary/Financial Controller prior to the Director's approval of the release of the annual and six monthly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management (4.1) (7.2).

PROMOTION OF ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of Conduct (10.1)

The goal of establishing the Company as a significant Australian-based information technology Company is underpinned by its core values of honesty, integrity, common sense and respect for people. The Company desires to remain a good corporate citizen and appropriately balance, protect and preserve all stakeholders' interests.

The Board has adopted a Code of Conduct for Directors and employees of the Company. The Company's goal of achieving above average wealth creation for our shareholders should be enhanced by complying with this code of conduct which provides principles to which Directors and employees should be familiar and to which they are expected to adhere and advocate (3.1).

It is the responsibility of the Board to ensure the Company's performance under this Code and for its regular review.

Trading in Company Securities by Directors, officers and employees

Trading of shares is covered by, amongst other things, the Corporations Act and the ASX Listing Rules. The Board has established a Securities Trading Policy that establishes strict guidelines as to when a Director, officer or an employee can deal in Company shares. The policy prohibits trading in the Company's securities whilst the Directors, officer or employee is in the possession of price sensitive information.

For details of shares held by Directors and officers please refer to the Directors' Report and Note 13 to the Financial Statements (3.2).

SHAREHOLDER COMMUNICATION

The Board aims to ensure that shareholders and investors have equal access to the Company's information.

The Company has policies and procedures that are designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. This disclosure policy includes processes for the identification of matters that may have a material effect on the price of the Company's securities, notifying them to the ASX and posting them on the Company's website (5.1).

The Company also has a strategy to promote effective communication with shareholders (6.1) and encourage effective participation at general meetings through a policy of open disclosure to shareholders, regulatory authorities and the broader community of all material information with respect to the Company's affairs including, but not limited to:

- Conflicts of interest and related party transactions;
- Executive remuneration;
- The grant of options and details of Share Option Plans;
- The process for performance evaluation of the Board, its committees, individual Directors and key managers;
- The link between remuneration paid to Directors and Executives and corporate performance; and
- Shorter, more comprehensible notices of meetings.

The following information is communicated to shareholders:

- The Annual Report and notices of meetings of shareholders;
- Monthly and Quarterly reports reviewing the operations, activities and financial position of the Company;
- All documents that are released to the ASX are made available on the Company's website; and
- All other information on the Company's website is updated on an ongoing basis.

ASX BEST PRACTICE RECOMMENDATIONS

The table below identifies the ASX Best Practice Recommendations and whether or not the Company has complied with the recommendations during the reporting period:

		Complied	Note
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	X	
2.1	A majority of the Board should be independent Directors.		1
2.2	The Chairperson should be an independent Director.	X	
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.		2
2.4	The Board should establish a Nomination Committee.		3
2.5	Provide the information indicated in Guide to Reporting on Principle 2.	X	
3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key Executives as to:	X	

	<p>3.1.1 the practices necessary to maintain confidence in the Company's integrity.</p> <p>3.2.1 the responsibility of and accountability of individuals for reporting and investigating of unethical practices.</p>		
3.2	Disclose the policy concerning trading in Company securities by Directors, officers and employees.	X	
3.3	Provide information indicated in Guide to reporting on Principle 3.	X	
4.1	Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the board that Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.	X	
4.2	The Board should establish an Audit Committee.		4
4.3	Structure the Audit Committee so that it consists of: <ul style="list-style-type: none"> - Only Non-Executive Directors; - A majority of independent Directors; - An independent Chairperson, who is not Chairperson of the Board; and - At least three members. 		4
4.4	The Audit Committee should have a formal charter.		4
4.5	Provide the information indicated in Guide to reporting on Principle 4.	X	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for the compliance.	X	
5.2	Provide the information indicated in Guide to reporting on Principle 5.	X	
6.1	Design and disclose a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	X	
6.2	Request the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditors' Report.	X	
7.1	The Board or appropriate Board Committee should establish policies on risk oversight and management.	X	
7.2	<p>The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that:</p> <p>7.2.1 the statement given in accordance with the best practice recommendation 4.1 (the integrity of financial statements) is founded on a system of risk management and internal compliance and control which implements the policies adopted by the board.</p> <p>7.2.2 the Company's risk management and internal compliance and control system is operating efficiently in all material respects.</p>	X	
7.3	Provide the information indicated in Guide to reporting on Principle 7.	X	

8.1	Disclose the process for performance evaluation of the board, its committees and individual Directors, and key Executives and corporate performance.	X	
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) The costs and benefits of these policies; and (ii) The link between remuneration paid to Directors and key Executives and corporate performance.	X	
9.2	The Board should establish a Remuneration Committee.		5
9.3	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.	X	
9.4	Ensure that payment of equity-based Executive remuneration is made in accordance with thresholds set in plans approved by shareholders.		6
9.5	Provide the information indicated in Guide to reporting on Principle 9.	X	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	X	

Note 1: A majority of the Directors (two out of three) are not considered to be independent. However, the skills, experience and knowledge of these two Directors makes their contribution to the Company and the Board such that it is appropriate for them to remain on the Board.

Note 2: The Company does not have a chief executive officer. Therefore both roles are not exercised by the same person. Mr Gavin Argyle is the independent Chairman of the Board.

Note 3: The Board of Directors of the Company does not have a Nomination Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a Nomination Committee can be adequately handled by the full Board.

Note 4: The Company does not have an Audit Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by an Audit Committee can be adequately handled by the full Board.

Note 5: The Company does not have a Remuneration Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a Remuneration Committee can be adequately handled by the full Board.

Note 6: The Company does not have any equity-based payments to Executives.

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