APPENDIX A

VENTUREAXESS CAPITAL LIMITED

VENTUREAXESS

Financial Report

Year to 30 June 2006

CORPORATE DIRECTORY

Directors

G E Mullins - Chairman

R S Forbes

E W Jones

P Housden (appointed 25 August 2005 – resigned 30 June 2006)

Dame L Kramer (appointed 21 September 2005)

B R Ferguson (resigned 28 July 2005)

Company Secretary

K Day

Registered Office

Suite 303
20 Bungan Street
Mona Vale
SYDNEY NSW 2103

Telephone:	(02) 9999 0540
Fax:	(02) 9999 0150
Web site:	www.ventureaxess.com

Auditors

WHK Greenwoods,
Level 15, 309 Kent Street,
SYDNEY NSW 2000

Bank

Bendigo Bank
Dee Why Branch

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VentureAxess Capital Limited ("the Company" or "the Fund") actively moved towards a listing of its shares on the ASX during the year with shareholders approving a ten for one subdivision of the ordinary shares on 7 October 2005 in order to improve marketability of the shares. Shareholders also granted authority to the Directors to relinquish Pooled Development Fund ("PDF") status if it was necessary to obtain an ASX listing, as would be required if a "backdoor" listing was obtained by reversing into an existing non PDF listed company. Significant professional and other costs involved with the listing process were incurred and written off in the year. As part of the listing process two new Independent Directors were appointed during the year, details of whom are included in the Director's Report.

Strategically the Fund made good progress in the financial year, acquiring further shares in six common investee companies from VA1 Pty Ltd ("VA1") for $2,056,009 by the issue of 10,280,045 shares at $0.20 in the Company as well as acquiring Bridgewater Development Capital Fund Limited ("Bridgewater") for $62,216 by the issue of 311,080 shares in the Company at $0.20. The acquisition of the investee company shares from VA1 required approval from the Company shareholders as well as from the Pooled Development Fund Board. Bridgewater, which is also a Pooled Development Fund, has one investee company Virtual Meeting Online Pty Ltd (formerly Global Health Share Pty Ltd) which is discussed in more detail below. As part of the conditions for the acquisition of Bridgewater, its shareholders subscribed for 1,500,000 new shares in the Company at $0.16 per share raising $240,000 in cash. Another $473,000 was raised from investors in cash from a Pre IPO raising at $0.16 per share.

The attached Financial Report has been prepared adopting for the first time the Australian Equivalents to International Financial Reporting Standards, the most significant effect for the Company being providing for Deferred Tax on net revaluation of the carrying value of investments and providing an estimate for the Success Fee payable to the Fund Manager upon successful realisation of these investments at their carrying value. These provisions total $1,753,058 at 30 June 2006. The Income Statement for the Company now reflects movement in fair value of the investments, whereas previously this was shown as a movement in a revaluation reserve. Prior year comparisons have also been restated to reflect these changes in accounting policies.

Despite being required to include these significant provisions net assets per share at the year end increased by 18% to $0.201 from a restated $0.171 in 2005.

Financial Review of Investment Portfolio

The Fund currently has twelve investments and has entered into conditional term sheets with two other promising investment opportunities, which are conditional on the Company raising sufficient new capital from the IPO. As disclosed in the individual reviews of the investee companies below the Fund is looking to dispose of up to four of its holdings in successful investee companies as well as selling its interest in two small non performing investments.

Since September 2003, when the current management team took control of the Company's Fund Manager, it has been the policy of the Company when making investments to have a Shareholder Agreement providing for the appointment of a nominated director, other rights to protect the investment interest of the Company, as well as an agreed timing for a trade sale or IPO of the investee company (normally towards the end of the third year of investment). Investments are usually made in stages against the achievement of agreed milestones.

Investment Stages and Valuations

Development Stage investments are early stage investments, initially involving proof of concept and other pre commercialisation developments. Such investments are normally valued at cost, or written down in value where the investee company performance is significantly below the expectations on which the investment was based. Where an independent third party makes a significant investment in an investee company, at a higher value than that paid by the Company, the investment may be revalued to that higher value.

Venture Stage investments are more mature investments where early stage developments have led to successful commercialisation and achievement of meaningful sales. Whilst such investments may still be valued at cost, it is more usual for them to be valued on the basis of an independent third party investment (as noted above), or where significant sales have been achieved with an expectation of recurring income, the investment can be valued on a discounted future cash flow (DCF) basis. The Directors may also seek external advice, guidance and reports from qualified organisations on the valuation of its investment holdings.

Reviews of the performance and valuations of the individual investee companies are laid out below:

1. Data-Cast.Net Limited (DCN).

DCN was the first investment by the Fund nearly six years ago, and despite being revalued down during the year to $1.5 million (2005 - $2.145 million) is still one of the largest constituents of the Fund. Whilst some progress was made during the year in improving management reporting systems, delays by existing and prospective clients in implementing new projects led to a trading outcome below budget expectations for the year. In February 2006 DCN secured a lease finance facility of $8 million which will fund the hardware element of existing contracts as well as a number of other client prospects where heads of agreements have been entered into.

CHAIRMAN'S REVIEW

The revised valuation is at the value placed on the business in 2004, and is based on the price per share paid by third party investors at that time. In 2005 the valuation was based on discounted future cash flow methodology, using a discount rate of 40%, which had been derived using the capital asset pricing model (CAPM). In view of sales projections being missed for 2006 it is considered prudent not to currently value DCN on a discounted future cash flow basis until there is a broader client base.

The Directors are working with the Board of DCN to evaluate merger, acquisition or listing opportunities for DCN, which may eventually lead to an exit route for the Fund to dispose of its investment.

Geoff Mullins was appointed Chairman of DCN during the year.

2. <u>Lumitex Limited (Lumitex)</u>

Geoff Mullins was appointed a Director of Lumitex during the year (but has since resigned) following difficulties experienced by Lumitex with its distributor in the US. These US difficulties placed significant strain on the Lumitex cash flow, and despite the Fund advancing some short term funding it became apparent that the business needs to be part of a larger trading group with established international distribution and marketing channels. A buyer is currently being sought for the Lumitex business, and until indicative offers are received it is considered prudent to write back the value of the Fund's shareholding to original cost of $111,000 (2005 – value of $666,000 based on the price paid by third party investors in 2004).
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3. <u>Telroy Pty Ltd (Telroy)</u>

Telroy (trading as O'Donnell Software) is one of the smallest investment made by the Fund ($115,000), and as it did not perform to expectation in the period following investment a write down of 50% of cost was made to $57,500 (2005 - $57,500). Telroy has continued to trade without recourse to further shareholder investment and the Fund will seek to dispose of its small 11.5% stake in the business when the opportunity to do so arises. The Fund has the right to appoint two directors to the Telroy board but so far has not taken up this right.

4. <u>Xemplex Pty Ltd (Xemplex)</u>

Xemplex made significant progress during the year, both in trading terms (a profit after tax) and in developing its Partner programme. A major ERP provider is seeking to incorporate the Xemplex product within its main operating platform and this is expected to lead to substantial future licence and implementation revenue.

The investment in Xemplex has been valued at $3,053,600 (2005 – $660,000) based on a discounted future cash flow methodology, using a discount rate of 40% which has been derived using the Capital Asset Pricing Model. The 2005 valuation was based on the price of a cash investment by an independent third party some years earlier. As indicated in the 2005 Chairman's Report, Xemplex should have been valued at that time on a discounted future cash flow basis, but sufficient financial forecasts were not made available by Xemplex management for such a value to be established. Indicative values of around $1.5 million were calculated for the Xemplex investment at June 2005, but there was not enough information available to justify this value in the Fund's accounts at that time.

The Fund does not have a representative director on the Xemplex board, the Shareholder Agreement providing for such representation and other protective arrangements being terminated on 31 March 2003 prior to the current management of the Fund Manager taking control.

5. <u>EON Pty Ltd (EON)</u>

EON requires further funding to develop its on line educational service, and since the percentage holding in EON by the Fund is too high, a number of strategic/funding partners are being sought to invest in the business which will lead to a dilution in our equity interest. The Fund may make some further small investments in EON, but will review the opportunity for disposal as new strategic partners come into the business.

The investment in EON is valued at cost of $283,137 (2005 - $283,137). There is currently no Fund representative on the board of EON.

6. ParaTech International Pty Ltd (ParaTech)

The progress of ParaTech during the last year has again been hampered by the lack of funding, but plans are currently being implemented to raise new funds from third party investors at a premium to the price paid by the Fund for its shares. The Fund also intends to inject further funds into the business for it to continue its development work to deliver a reliable commercial supply of aquaculture feed, subject to raising adequate new funds from the planned IPO. Opportunities are also being sought for a trade sale, merger or a back door listing on the ASX. It is likely that ParaTech will be merged with Aquaculture Research & Marketing Pty Ltd (ARM), with whom it shares common directors, shareholders and premises, prior to such a course of action.

The investment in Paratech is valued at cost of $1,442,324 (2005 – cost of $526,413). The investment in ARM is valued at cost of $55,000 (2005 – cost of $5,000). The increase in values represents further cash investment of $164,831 in ParaTech (ARM – nil) and acquisition of shares at cost in ParaTech of $751,080 and $50,000 in ARM from VA1 during the course of the year. Geoff Mullins is the appointed representative on the ParaTech board.

7. Booma Hyland Aquaculture Limited (Booma)

Booma had a very disappointing year with various property, management and disease issues all contributing to a poor financial performance. Since the year end, arrangements were made for new experienced management to take over, with a plan to relocate to new premises nearer the coast in the next six months. This move was expected to produce a reduction in the incidence of disease as well as savings in rent and electricity for heating, whilst making it more convenient for the employment of casual labour.

In the last few weeks the present landlord, being the former management of the company, has taken action to lock Booma out of their existing premises. As a result we have written down the value of Booma to $Nil (2005 - $645,568) and are considering what legal action can be taken to recover value for our investment.

8. Heart Assist Technologies Pty Ltd (HAT)

HAT has made significant progress towards achieving its milestones since the original investment by the Fund, but this progress has been delayed due to a lack of follow on investment by the Fund. Management changes and relocation of the business during the year caused further disruption. HAT is considering an Australian Stock Exchange (ASX) listing in the current year, both as a means of raising substantial development funds as well as to take advantage of the current demand for such listed heart device stocks. Such an ASX listing will not immediately allow the Fund to exit its investment in HAT, but will provide a continuous indication of the value of its investment.

The investment in HAT has been valued at $1,263,761 (2005 cost of $555,485) based on an independent third party valuation of the Intellectual Property of the company. During the year the Fund invested a further $70,000 in HAT and acquired shares with a book value of $144,033 from VA1. Geoff Mullins is a Director of HAT.

9. Ceebron Pty Ltd

Ceebron has met all its milestones, for which funding was provided, since the original investment by the Fund, but has not yet been able to complete its development phase due to an investment shortfall. During the year Ceebron entered into a Share Subscription Agreement with a value adding trade investor for $1 million of funds to further its development stage, at a share price of $3,289.47,which compares to the Fund's original subscription price of $2,124.68 per share. Since the year end further funds (over $0.5 million) have been raised from third parties at a share price of $7,353.00 which will allow Ceebron to complete its development phase during the next three months. Ceebron is well advanced in its discussions with venture capital firms, trade partners and advisers to an IPO for the $4 million of funds which will be required for the commercialisation stage.

The investment in Ceebron has been valued at $1,787,007 based on the investment price of $7,353 per share paid by the third party investors (2005 - $710,575 - based on the price paid by the independent trade investor). During the year the Fund acquired shares in Ceebron with a book value of $85,526 from VA1. As part of the arrangements for subscription by the trade investor Emyr Jones resigned as Chairman and Director of Ceebron during the year.

10. WebND Technologies Pty Ltd (WebND)

WebND continued to incur considerable expenditure in developing sales of its portal technology software into China, which included winning a significant contract from China Internet Information Centre (CIIC), a key information provider, both within China and internationally, for Chinese Government organisations. WebND has since leveraged the CIIC relationship into the creation of a Joint Venture company, Huanxun, which is 60% owned by WebND and 40% by CIIC. In discussions with major US information technology companies who are keen to obtain an interest in the Joint Venture company Huanxun a value of US$10 million has been placed on Huanxun. The Fund has been advised that based on the value attributed to Huanxun and the other operating elements within WebND the interest of the Fund in WebND is worth AUD$2.59 million (2005 - $448,648 based on a discounted future cash flow basis).

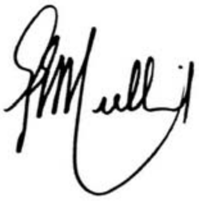
CHAIRMAN'S REVIEW

During the year the Fund invested $350,000 into WebND and acquired shares with a book value of $224,324 from VA1. Emyr Jones is Chairman of WebND.

11. <u>Virtual Meeting Online Pty Ltd (VMO)</u>

As part of its acquisition of Bridgewater Development Capital Fund Limited during the year, the Fund inherited a 30% interest in VMO (formerly Global Health Share Pty Ltd). Bridgewater initially invested over $1 million into VMO, but following a change of government policy in the healthcare sector a number of key projects became unviable. As a consequence the value of the investment was written down to $100,000 whilst VMO re-branded itself as a supplier of voice, video and data over broadband connections to corporate SME's. This re-branding is now complete and a number of clients are contracted which will generate revenue in the coming year. The consolidated fair value of the investment in VMO, arising from the acquisition of Bridgewater, is $253,591 and based on progress by VMO in relaunching itself to the corporate market this is considered to be fair value for accounting purposes.

Thank you all for your support.



Geoff Mullins
Chairman
Sydney, 9 November 2006

Your Director's submit their report for the year ended 30 June 2006.

DIRECTORS

The names and details of the directors of VentureAxess Capital Limited (VAC) in office during the financial year and until the date of this report are:

G Mullins *LLB, BCom., Barrister-at-Law (Chairman)*

Geoff Mullins was appointed a director on 5th June 2003 and Chairman on 5th November 2003. He has over 25 years experience in general management and providing corporate advice to a number of Australian and International companies including the commercialisation of a range of technologies and ventures. He also has a strong background at management level in both information technology and telecommunications and high-level experience as a corporate lawyer.

Geoff was a non-executive director of JN Almgren Pty Ltd and assisted to successfully float JNA Telecommunications in 1992. He was the Chairman of the Board of Directors of Dataplex Pty Ltd between 1994 and 1996 and assisted to merge that company with Netcom Ltd. Past directorships include MacDonald Wagner Group Ltd (consulting engineers) where he assisted the merger of that company with the John Connell Group to form Connell Wagner one of Australia's largest consulting engineering groups. Mr Mullins also acted as Chairman of Wideline Pty Ltd, an Australian building products group and Managing Director of Barcode Solutions Pty Ltd, a software solutions company. He has also recently acted as Chairman of Select-Tel Limited a publicly listed telecommunications company.

In 1996 he assumed the role of founding director of AVIRNEX Communications Australia Pty Ltd (a US owned switched and value-added telecommunications provider) and was promoted to the position of regional President South East Asia and Managing Director. In 1999 he assisted in the foundation of ServTel Pty Ltd in conjunction with Japan Telecom Pty Ltd. Within four months of its formation this successful operation was acquired by RSLCom.

Geoff Mullins was Chairman and CEO of VentureTek Corporation Pty Ltd a private venture capital consultancy with 15 years trading history. This business was acquired by The Venturebank Limited and Geoff assumed the role of CEO of both the US and Catalyst divisions of that company.

Geoff has actively pursued the vision of being a champion of emerging businesses and to this end he formed VentureAxess Pty Ltd in 2000 to launch a unique business model and take leadership in the delivery of investment access to emerging businesses. He is Chairman & CEO of VentureAxess Fund Managers Limited, VentureAxess Limited, VA Holdings Pty Ltd, The National Investor Database Ltd, and VA1 Pty Ltd. Geoff is currently Chairman of Booma Hyland Aquaculture Limited and a director of Heart Assist Technologies Pty Ltd, Paratech International Pty Ltd and Aquaculture Research & Marketing Pty Ltd.

Geoff Mullins was admitted as a Barrister of the Supreme Court of New South Wales in 1979 and holds degrees in Commerce and Law.

E W Jones *BA Econ (Hons) FCA.*

Emyr Jones has accumulated over 25 years experience as a corporate financial officer in listed UK companies and non-executive director of, and investor in, emerging businesses.

Having qualified as a Chartered Accountant (England & Wales) with Spicer & Pegler (now Deloitte Touche) Emyr joined Saatchi & Saatchi Company plc in 1976. During eight years at the company he rose to become Deputy Group Financial Director with responsibilities covering both operational matters and acquisitions.

In 1984 he joined Holmes & Marchant, a private marketing services group, as Financial Director, and organised their flotation on the Unlisted Securities Market in 1985, leading to a full listing on The London Stock Exchange the following year. Emyr was responsible for the corporate development of the group and over a period of eight years sourced, negotiated and completed nine acquisitions which broadened both the geographical base of the business as well as its services.

In 1994 Emyr assisted a new financial research business to raise seed capital via a corporate venture partner and became a founder shareholder and non-executive director. Some four years later he became Non-Executive Chairman following a refinancing of the business by 3i (a leading European venture capital group), so that the corporate partner could exit its investment.

Emyr relocated to Sydney in 2001 and formed a mentoring and angel investment business. He joined VentureAxess as a Director and shareholder in late 2002 and is a Director of VA1 Pty Ltd as well as being non-executive Chairman of WebND Technologies Pty Ltd. He joined the Board of the Fund on 5 November 2003 and is an Executive Director of VentureAxess Fund Managers Limited.

R S Forbes

Robin Forbes joined the Board on 10 March 2000 and continues to serve as an independent director.

He joined Hartley Poynton & Co in 1969, became a partner in 1971, and that year was elected a member of the Stock Exchange of Perth. He served as Chairman of the Stock Exchange of Perth from 1982 to 1984. Robin has spent many years as a director of, and investment advisor for Hartley Poynton, and retired from the Board of its successor company, Hartleys Limited, in October 2003.

Robin has first-hand experience with the development and growth of a highly successful Australian technology company, having coordinated the listing on the Australian Stock Exchange of Sarich Technologies Trust in 1984 - now known as Orbital Engine Corp. Ltd. He was appointed a founding director in 1984 and retired in May 2002.

He has been an active investor in a number of technology companies in Western Australia, including Western Aerospace Ltd., Structural Monitoring Systems, Arbortech Pty Ltd., Kinetic Ltd., Dynamic Digital Depth Inc. and a number of other investments.

In November 2002 Robin was appointed to the Board of Solar Energy Systems Ltd and currently serves as Chairman of that company. Solar Energy Systems manufactures and installs innovative solar water pumping and purification technologies used in the agricultural and mining sectors, by remote Aboriginal communities and by Foreign Aid groups.

Dame L Kramer *AC, DBE, BA (Melb), DPhil (Oxon), HonDLitt (Tas, Qld & UNSW), HonLlD (Melb & ANU), DUnivGUP (St Petersburg), MA, FACE, FAHA*

Dame Leonie Kramer joined the Board on 21 September 2005 as an independent director and her appointment was ratified by shareholders in General Meeting on 7 October 2005. After education at Melbourne and Oxford Universities, Dame Leonie was successively Lecturer, Senior Lecturer and Associate Professor in English at the University of New South Wales before becoming Professor of Australian Literature at Sydney University in 1968; she remains an Emeritus Professor of Australian Literature at that University. She was Deputy Chancellor of the University from 1989 to 1991 and Chancellor (and ex-officio member of its Finance Committee) from 1991 to 2001.

She has served on the boards of numerous public bodies, including the Australian Broadcasting Corporation 1977-1983(Chair 1982-3), the Secondary Schools Board (1977-81), the Council of the National Library (1975-1981), the Universities Commission/Council (1973-1986), Commissioner of the NSW Electricity (1988-1995) and the National Institute of Dramatic Art (Chair 1987-1991). She was Senior Fellow of the Institute of Public Affairs (1988-1996).

She has received many awards and honorary doctorates in the course of her distinguished career.

She has also served on the boards of Western Mining Corporation Ltd (1984-1996) and Australia & New Zealand Banking Group Limited (1983-1994) and NRMA (1984-1995). She was a member of the Council of the Australian Institute of Company Directors (1992-2001)

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

As at 30 June 2006, or date of resignation, the interests of the Directors in the shares and options of the Company are:

	VentureAxess Capital Limited		
	Ordinary Shares (Fully Paid)	Loan Notes	Options over Ordinary Shares
G E Mullins	-	-	323,341
R S Forbes	500,000	$20,000	768,511
E W Jones	8,175,812	-	463,286
P Housden (resigned 30 June 2006)	-	-	101,827
Dame L Kramer	-	-	96,380
B R Ferguson (resigned 28 July 2005)	233,330	-	103,089

Messrs Mullins, Ferguson and Jones are interested in 11,382,785 Ordinary Shares and 20,000,000 Share Options in VentureAxess Capital Limited held by VA1 Pty Ltd, a company in which they have an indirect controlling interest.

SHARE OPTIONS

The following options to subscribe for ordinary shares in the capital of the company were granted to directors during the period. The entitlement to options was calculated in accordance with the terms in the original Information Memorandum. Each option entitles the holder to subscribe for a fully paid ordinary share at an exercise price of $0.10 per share for those in respect of the period to 31 December 2005, and at $0.16 per share for those granted thereafter, on or before the expiry date shown in the table below.

Service for Quarter Ending	Number of Options	Issue Date	Expiry Date
30 September 2005	79,383	30 June 2006	30 September 2010
31 December 2005	160,869	30 June 2006	31 December 2010
31 March 2006	171,649	30 June 2006	31 March 2011
30 June 2006	186,478	30 June 2006	30 June 2011

PRINCIPAL ACTIVITIES

The principal activity during the year was that of a seed to early stage venture capital fund, making investments and raising further capital. There have been no significant changes in the nature of those activities during the year.

The principal activity was conducted from operations geographically located in Australia.

REVIEW OF RESULTS AND OPERATIONS

The VAC fund managers are VentureAxess Fund Managers limited who have a contract to provide VAC with management and investment advice and various other services until March 2011.

The Company received interest income on capital raised and incurred management fees and administrative expenses associated with capital raising. Significant professional expenses were incurred in preparation for a listing of the Company on the ASX.

The adjustment of the book value of investments to "fair value" generated a net gain, after write downs, of $2,525,992 (2005 - $1,118,376) and provision for the Fund Managers Success Fee at 20% of this gain has been accounted for.

The Company's financial result after providing for deferred income tax for the financial year was a profit of $1,245,284 (2005: $552,676 as restated).

EARNINGS PER SHARE	**Year to 30 June 2006**	**Year to 30 June 2005**
Basic earnings per share	**$0.0324**	**$0.0204**
Weighted shares in issue	38,390,957	27,075,380

NET ASSETS PER SHARE	**Year to 30 June 2006**	**Year to 30 June 2005**
Net assets per share	**$0.201**	**$0.171**

Comparatives have been re-stated to reflect the 10 for 1 subdivision of the shares on 7 October 2005.

DIVIDENDS PAID OR PROPOSED

The Company has not paid any dividends since the commencement of the financial year, and no dividends are proposed to be paid.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is not subject to any environmental regulations.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 27 June 2005 the Company made an offer to existing shareholders of 7.5% Short Term Loan Notes, repayable on 31 December 2005, to raise up to $350,000 for working capital and for the expected up front costs of the proposed IPO. $365,000 was raised from shareholders under this offer. The Loan Note Holders were also offered the choice of using the proceeds of repayment of the Loan Notes to subscribe for shares in the Company at $1.25 per share (or $0.125 following the 10 for 1 sub-division referred to below), provided such election was made prior to the date of a Prospectus being lodged with ASIC. Due to delays in lodging a Prospectus with ASIC the repayment date of the Short Term Loan Notes has been extended. On 30 June 2006, Emyr Jones, a Director of the company, exercised his right to have repayment of his holding of $110,000 of Short Term Loan Notes converted into 880,000 ordinary shares.

At a General Meeting of the Company held on 7 October 2005, shareholders of the Company resolved :

- to adopt a new constitution which meets the requirements of the Australian Stock Exchange
- that each ordinary share in the capital of the Company currently on issue be subdivided into ten fully paid ordinary shares in the capital of the Company and that all options on issue by the Company be subdivided on the same basis.
- to approve the acquisition of investments from VA1 Pty Ltd and the issue of shares in the Company as consideration to VA1Pty Ltd on the terms set out in the Explanatory Memorandum which accompanied the Notice of Meeting.
- the entry into and performance of the obligations of the Company under a Director Protection Deed for present and future directors of the Company.

On 14 November 2005 VAC made an all share offer to acquire Bridgewater Development Capital Fund Limited (Bridgewater), a Brisbane based Pooled Development Fund. The offer valued Bridgewater at $62,216, which was to be satisfied by the issue of 311,080 ordinary shares in VAC issued at $0.20 per share (post the 10 for 1 subdivision referred to above) and 155,540 share options in VAC exercisable at $0.20 per share on or before 15 March 2009. The offer was conditional on 100% acceptance of the offer by Bridgewater shareholders, as well as Bridgewater shareholders subscribing for a significant amount of the Pre-IPO offer referred to below. The
offer to acquire Bridgewater was declared unconditional in mid December 2005 following full acceptance of the offer and Bridgewater shareholders subscribing $240,000 under the Pre-IPO offer referred to below.

In November 2005 VAC made a Pre-IPO offer of up to 6,250,000 ordinary shares at $0.16 each to raise up to $1,000,000 to meet the costs of the IPO, working capital and for investment commitments to current investee companies. $713,000 was raised under this Pre-IPO offer, inclusive of the $240,000 subscribed by Bridgewater shareholders.

At the Annual General Meeting held on 14 June 2006 shareholders renewed the authority previously given to the Directors to apply for deregistration as a Pooled Development Fund if this assisted the Company in its listing on the ASX.

No other significant changes in the state of affairs of the company took place during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 14 September 2006 the Company wrote to the directors of Jab Technologies Limited (JAB) advising them that VentureAxess Capital Limited was preparing a Bidder Statement for lodgement with ASIC, and dispatch to the shareholders of JAB, containing a conditional offer to acquire all of the issued capital and all outstanding options of JAB. JAB provides an integrated web based facility for the set-up and management of internet business services including domain management and ISP hosting as well as e-commerce web sites, internet marketing, e-mail automation and multimedia based content management. JAB is listed on the Newcastle Stock Exchange and has nearly 4,000 shareholders. Based on the proposed offer of 3 fully paid ordinary shares of $0.20 each in VentureAxess Capital Limited for every 5 issued ordinary shares of JAB, the offer values JAB at $1.78 million. The offer is conditional on 90% acceptance by JAB shareholders, $4,000,000 being raised in cash from JAB shareholders under an Offer Information Statement to be issued by VentureAxess Capital Limited as well as other conditions normal for this type of transaction. Following completion of the proposed transaction, VentureAxess Capital Limited intends applying to the ASX for listing of the enlarged company. VentureAxess Capital Limited has applied to the Pooled Development Fund Board for dispensation to retain its PDF status if JAB Technologies Limited is acquired. Loss of PDF status may affect the beneficial tax rate that the Company is currently entitled to.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely developments in the operation of the Company in financial periods subsequent to the period ended 30 June 2006 are as follows:

i) the raising of additional funds, principally from an IPO, sufficient to consolidate the position of the company as a significant seed and early stage venture capital fund; and

ii) making investments in Australian companies that satisfy the company's investment criteria,

iii) disposing of some existing investments to provide cash for further new investments and/or a dividend payment to shareholders, and

iv) the lifting of the company's profile to attract projects and expand its referral network

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Other than the Director Protection Deed approved by shareholders on 7 October 2005, as referred to above, the Company has not, during or since the financial period, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or

- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

DIRECTORS' MEETINGS

During the year the directors attended many Due Diligence meetings in relation to the proposed listing of the Company, and as a consequence formal Directors' meetings were only held quarterly. The number of Directors' meetings attended by each director was as follows:

	Number of meetings held while in office	Meetings attended
G E Mullins	4	4
E W Jones	4	4
R S Forbes	4	2
Dame L Kramer	3	3
P Housden	4	4
B R Ferguson	0	0

AUDIT COMMITTEE

An Audit Committee has been established comprising all independent directors.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the company support and have adhered to the principles of open, accountable and ethical corporate governance, ensuring timely compliance with all legal and statutory requirements.

The Board's Corporate Governance Committee, comprising all of the independent directors, was established to facilitate the identification of significant areas of business risk, to implement procedures to manage such risks and to develop policies regarding the establishment and maintenance of appropriate ethical standards. More specifically, the Committee's role is to:

- ensure compliance with legal, statutory and ethical matters
- monitor the business environment
- identify business risk areas

- identify business opportunities

AUDITORS

Bentleys MRI resigned as Auditors to the company on 18 May 2006. On 27 July 2006 WHK Greenwoods were appointed Auditors.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 37.

Signed in accordance with a resolution of the directors.

G E Mullins
Chairman
Sydney, 9 November 2006

CONSOLIDATED INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		Year to 30 June 2006 $	Year to 30 June 2005 $	Year to 30 June 2006 $	Year to 30 June 2005 $
Revenue from ordinary activities		424	595	424	595
Change in Fair Value of Investments	5.	2,525,992	1,118,376	2,525,992	1,118,376
Expenses from ordinary activities					
- Administrative Expenses		(120,841)	(124,213)	(120,841)	(124,213)
- Annual Fund Manager Fee		(169,966)	(110,302)	(169,996)	(110,302)
- Provision for Fund Manager Success Fee	10.	(505,199)	(223,675)	(505,199)	(223,675)
- Directors Share option charge		(17,032)	(10,574)	(17,032)	(10,574)
- Listing costs incurred		(221,744)	-	(221,744)	-
- Interest paid		(26,593)	-	(26,953)	-
Profit before income tax expense		**1,465,041**	**650,207**	**1,465,041**	**650,207**
Income tax expense	3	(219,757)	(97,531)	(219,757)	(97,531)
Profit after income tax attributable to members		**1,245,284**	**552,676**	**1,245,284**	**552,676**

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET FOR YEAR ENDED 30 JUNE 2006

	Notes	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CURRENT ASSETS					
Cash and cash equivalents		3,244	8,082	3,244	8,082
Trade and other receivables	4	97,850	11,014	188,534	11,014
TOTAL CURRENT ASSETS		101,094	19,096	191,778	19,096
NON CURRENT ASSETS					
Other financial assets	5	12,393,612	6,703,326	12,140,021	6,703,326
Investment in subsidiary	6	-	-	62,216	-
TOTAL NON CURRENT ASSETS		12,393,612	6,703,326	12,202,237	6,703,326
TOTAL ASSETS		12,494,706	6,722,422	12,394,015	6,722,422
CURRENT LIABILITIES					
Trade and other payables	7	607,449	391,802	506,758	391,802
Short term borrowings	8	449,890	-	449,890	-
TOTAL CURRENT LIABILITIES		1,057,339	391,802	956,648	391,802
NON-CURRENT LIABILITIES					
Deferred tax liabilities	9	552,184	332,427	552,184	332,427
Provisions	10	1,200,874	695,675	1,200,874	695,675
TOTAL NON-CURRENT LIABILITIES		1,753,058	1,028,102	1,753,058	1,028,102
TOTAL LIABILITIES		2,810,397	1,419,904	2,709,706	1,419,904
NET ASSETS		9,684,309	5,302,518	9,684,309	5,302,518
EQUITY					
Contributed equity	11	6,514,304	3,394,829	6,514,304	3,394,829
Option holders equity		40,970	23,938	40,970	23,938
Retained earnings		3,129,035	1,883,751	3,129,035	1,883,751
TOTAL EQUITY		9,684,309	5,302,518	9,684,309	5,302,518

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2006

Economic Entity

	Note	Contributed equity	Option holders equity	Retained Earnings (Losses)	Asset Revaluation Reserve	Total
		$	$	$	$	$
Balance at 30 June 2004		2,547,534	13,364	1,331,075	-	3,891,973
Profit attributable to members				552,676		552,676
Shares issued during the year		873,200	10,574			883,774
Transaction costs relating to shares issued		(25,905)				(25,905)
Balance at 30 June 2005		3,394,829	23,938	1,883,751	-	5,302,518
Profit attributable to members				1,245,284		1,245,284
Shares issued during the year		3,119,475	17,032			3,136,507
Balance at 30 June 2006		6,514,304	40,970	3,129,035	-	9,684,309

Parent Entity

	Note	Contributed Equity	Option holders equity	Retained Earnings (Losses)	Asset Revaluation Reserve	Total
		$	$	$	$	$
Balance at 30 June 2004		2,547,534	13,364	1,331,075	-	3,891,973
Profit attributable to members				552,676		552,676
Shares issued during the year		873,200	10,574			883,774
Transaction costs relating to shares issued		(25,905)				(25,905)
Balance at 30 June 2005		3,394,829	23,938	1,883,751	-	5,302,518
Profit attributable to members				1,245,284		1,245,284
Shares issued during the year		3,119,475	17,032			3,136,507
Balance at 30 June 2006		6,514,304	40,970	3,129,035	-	9,684,309

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2006

	Notes	Economic Entity Year to 30 June 2006 $	Economic Entity Year to 30 June 2005 $	Parent Entity Year to 30 June 2006 $	Parent Entity Year to 30 June 2005 $
Cash Flows from Operating Activities					
Payments to suppliers including GST		(436,331)	(74,835)	(420,647)	(74,835)
Advances to investee companies		(54,334)		(54,334)	
Advances to subsidiary and associates		(9,450)		(25,134)	
Interest paid		(26,593)	-	(26,593)	-
Interest received		424	595	424	595
Net cash flows from/(used in) operating activities	12.	**(526,284)**	**(74,240)**	**(526,284)**	**(74,240)**
Cash Flows from Investing Activities					
Investments in other companies		(854,694)	(913,277)	(854,694)	(913,277)
Net cash flows (used in) investing activities		**(854,694)**	**(913,277)**	**(854,694)**	**(913,277)**
Cash Flows from Financing Activities					
Net cash proceeds from issue of shares		926,250	847,295	926,250	847,295
Proceeds from loans and overdrafts		449,890	-	449,890	-
Net cash flows from financing activities		**1,376,140**	**847,295**	**1,376,140**	**847,295**
Net increase / (decrease) in cash held		**(4,838)**	**(140,222)**	**(4,838)**	**(140,222)**
Cash at 1 July 2005		8,082	148,304	8,082	148,304
Cash at 30 June 2006		**3,244**	**8,082**	**3,244**	**8,082**

The accompanying notes form part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers VentureAxess Capital Limited and its wholly owned subsidiary. VentureAxess Capital Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report of VentureAxess Capital Limited complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

First-time adoption of Australian equivalents to International Financial Reporting Standards

VentureAxess Capital Limited has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of VentureAxess Capital Limited to be prepared in accordance with AIFRS.

The accounting policies set out below have been consistently applied to all years presented. Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. **Income Tax**

The current income tax expense/benefit is the tax payable at current enacted tax rates on the income for the year, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

b. **Financial Instruments**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets at fair value through the profit and loss are held at fair value. Realised gains and losses and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivatives are categorised as held for trading unless they are designated as hedges. Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Investments

Investments are classified as financial assets at fair value through the profit and loss or as available for sale financial assets. The company values investments on the fair value basis. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is determined based on current bid prices for all quoted investments.

Valuation techniques are applied to determine the fair value for all unlisted securities as follows.

Due to the lack of a liquid market and the inherent uncertainty of the future maintainable cash flows of seed & early stage venture capital investments, the most appropriate indicator of fair value is usually cost. Prudence in assessing fair value necessitates the avoidance of unwarranted optimism and also excessive caution. The fair value of the investments will be assessed on the basis outlined below depending on their classification as either, Early Stage, Venture Stage or Quoted investments.

The company complies with the Australian Venture Capital Association (AVCAL) "Guidelines for the Valuation and Disclosure of Venture Capital Portfolios" and all applicable accounting standards in determining the carrying value of its investments. Investments are classified into early stage and venture stage investments.

(i) Early Stage Investments

Early Stage investments are seed, start up and other early stage venture capital investments in immature companies which are typically not earning significant maintainable profits.

The fair value of an Early Stage investment is assessed by directors to be equal to cost in most circumstances less any provision required if the performance of the investment is significantly below the expectations on which the investment was based, leading to a diminution in value. The only time that the fair value of early stage investments will be assessed higher than cost is where there has been a significant cash transaction involving a new independent third party that values the investment at a materially different value. The higher valuation may be calculated with reference to the price at which a subsequent issue of capital is made, or the price at which securities in the investee company are sold.

(ii) Venture Stage Investments

Venture Stage investments are unquoted investments, including management buy-outs and buy-ins, which are not Early Stage investments. Directors value all Venture Stage investments at their fair value according to one of the following basis:-

- Cost (less any provision required)
- Third Party Transaction
- Earnings Multiple
- Net Assets
- Discounted Future Cash Flow (DCF)

As a general rule, recent material arm's length third party transaction valuations is prima facie evidence of fair value and takes precedence over other methods until circumstances change.

c. **Impairment of Assets**

At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

d. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

e. **Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

f. **Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

g. **Revenue**

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

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

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

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

h. **Finance Costs**

All finance costs are recognised in income in the period in which they are incurred.

i. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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 in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

j. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

k. **Basis of consolidation**

The consolidated financial statements incorporate the assets and liabilities and the results of those subsidiaries required to be consolidated for the period ending 30 June 2006. Subsidiaries are those entities over which the group has the power to control the financial and operating policies. Subsidiaries are consolidated from the date of obtaining control. On rare occasions the group obtains a prima facie controlling interest in certain of its investee companies acquired as part of its principal activity. If at the date of acquisition of the prima facie controlling interest there is no intention to continue to hold the controlling interest in the long term, or to exercise direct control over the investee, then the investment is classified as held for sale as required by AASB5; Non-current Assets Held for Sale and Discontinued Operations. The investment is not consolidated in these instances but is accounted for as an asset held for sale and is recorded at fair value less costs to sell.

l. **Critical accounting estimates and judgments**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

2 FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Reconciliation of Equity at 1 July 2004	Note	Previous GAAP at 1 July 2004	Effect of transition to AIFRS	AIFRS at 1 July 2004
		$	$	$
CURRENT ASSETS				
Cash and cash equivalents		148,304	-	148,304
Receivables		15,599	-	15,599
TOTAL CURRENT ASSETS		163,903	-	163,903
NON-CURRENT ASSETS				
Financial assets		4,671,673	-	4,671,673
TOTAL NON-CURRENT ASSETS		4,671,673	-	4,671,673
TOTAL ASSETS		4,835,576	-	4,835,576
CURRENT LIABILITIES				
Trade and other payables		236,707	-	236,707
Short-term borrowings		-	-	-
TOTAL CURRENT LIABILITIES		236,707	-	236,707
NON-CURRENT LIABILITIES				
Deferred tax liabilities		-	234,896	234,896
Long-term provisions		-	472,000	472,000
TOTAL NON-CURRENT LIABILITIES		-	706,896	706,896
TOTAL LIABILITIES		236,707	706,896	943,603
NET ASSETS		4,598,869	(706,896)	3,891,973
EQUITY				
Contributed equity		2,547,534	-	2,547,534
Option holders equity		-	13,364	13,364
Asset revaluation reserve		2,360,000	(2,360,000)	-
Retained earnings/(accumulated losses)		(308,665)	1,639,740	1,331,075
TOTAL EQUITY		4,598,869	(706,896)	3,891,973

The accompanying notes form part of these financial statements

2 FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Reconciliation of Equity at 30 June 2005	Note	Previous GAAP at 30 June 2005	Effect of transition to AIFRS	AIFRS at 30 June 2005
		$	$	$
CURRENT ASSETS				
Cash and cash equivalents		8,082	-	8,082
Receivables		11,014	-	11,014
TOTAL CURRENT ASSETS		19,096	-	19,096
NON-CURRENT ASSETS				
Financial assets		6,703,326	-	6,703,326
TOTAL NON-CURRENT ASSETS		6,703,326	-	6,703,326
TOTAL ASSETS		6,722,422	-	6,722,422
CURRENT LIABILITIES				
Trade and other payables		391,802	-	391,802
Short-term borrowings		-	-	-
TOTAL CURRENT LIABILITIES		391,802	-	391,802
NON-CURRENT LIABILITIES				
Deferred tax liabilities		-	332,427	332,427
Long-term provisions		-	695,675	695,675
TOTAL NON-CURRENT LIABILITIES		-	1,028,102	1,028,102
TOTAL LIABILITIES		391,802	1,028,102	1,419,904
NET ASSETS		6,330,620	(1,028,102)	5,302,518
EQUITY				
Contributed equity		3,394,829	-	3,394,829
Option holders equity		-	23,938	23,938
Asset revaluation reserve		3,478,376	(3,478,376)	-
Retained earnings/(accumulated losses)		(542,585)	2,426,336	1,883,751
TOTAL EQUITY		6,330,620	(1,028,102)	5,302,518

The accompanying notes form part of these financial statements

2 FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Reconciliation of Profit/(Loss) for 2005	Note	Previous GAAP	Effect of transition to AIFRS	AIFRS
		$	$	$
Revenues from ordinary activities		595		595
Changes in Fair Value of Investments			1,118,376	1,118,376
Administrative expenses		(124,213)		(124,213)
Annual Fund Manager fee		(110,302)		(110,302)
Provision for Fund Manager Success Fee			(223,675)	(223,675)
Directors Share Option charge			(10,574)	(10,574)
Profit/(loss) before income tax expense		(233,920)	884,127	650,207
Income tax expense		-	(97,531)	(97,531)
Profit/(loss) after related income tax expense		(233,920)	786,596	552,676

	Note	Economic Entity Year to 30 June 2006 $	Economic Entity Year to 30 June 2005 $	Parent Entity Year to 30 June 2006 $	Parent Entity Year to 30 June 2005 $
3. INCOME TAX					
(a) The components of tax comprise:					
Current tax		-	-	-	-
Deferred tax		219,757	97,531	219,757	97,531
		219,757	97,531	219,757	97,531
The prima facie tax on operating profit at 15% is equal to the income tax provided in the financial statements.					
4. RECEIVABLES (Current)					
GST recoverable		23,052	-	23,052	-
Investee companies		54,334	-	54,334	-
Subsidiary company		-	-	90,684	-
Other		20,464	11,014	20,464	11,014
		97,850	11,014	188,534	11,014

5. OTHER FINANCIAL ASSETS

Non Current Unlisted Investments, at fair value

Shares in other corporations carried at fair value in accordance with accounting policy 1(b).

	Cost $	%age owned of Issued Capital	30 June 2006 $	30 June 2005 $
Data-Cast.Net Limited	150,000	15.6%	1,500,000	2,145,000
XempleX Pty Ltd	260,000	18.5%	3,053,600	660,000
Telroy Pty Ltd	115,000	11.5%	57,500	57,500
Lumitex Ltd	111,000	5.7%	111,000	666,000
EON Pty Ltd *****	283,137	84.1%	283,137	283,137
Booma Hyland Aquaculture Ltd	1,501,288	34.6%	-	645,568
Paratech International Pty Ltd	1,442,324	18.6%	1,442,324	526,413
Heart Assist Technologies Pty Ltd	769,518	16.3%	1,263,761	555,485
Ceebron Pty Ltd	674,062	15.7%	1,787,007	710,575
Web[ND] Technologies Pty Ltd	774,324	11.9%	2,586,692	448,648
Aquaculture Research & Marketing P/L	55,000	1.0%	55,000	5,000
Sub total - parent entity	**6,135,653**		**12,140,021**	**6,703,326**
Virtual Meeting Online Pty Ltd	253,591	30.0%	253,591	-
Total – economic entity	**6,389,244**		**12,393,612**	**6,703,326**

***** Classified as held for sale as required by AASB5 - see Note 1(k)

	30 June 2006 $	30 June 2005 $
Carrying value of Unlisted Investments at the start of the period	6,703,326	4,671,673
Add: Additions	2,910,703	913,277
Add: Revaluation increments	5,442,469	1,118,376
Less: Revaluation decrements	(2,916,477)	-
Carrying value in Parent Entity	12,140,021	6,703,326
Acquired with subsidiary at fair value during the period	253,591	-
Carrying value of Unlisted Investments at the end of the period	**12,393,612**	**6,703,326**

Principal activities of investee companies:	
Data-Cast.Net Ltd	The design, development, and establishment of digital data-casting systems using the company's proprietary data-casting management system technology.
Xemplex Pty Ltd	The design and development of graphical business modelling software with world wide application in many industries.
Telroy Pty Ltd	Sales and support of the existing O'Donnell Software suite of financial services products and the development of an enterprise software solution for the international corporate financial services market based on the company's existing products.
Lumitex Ltd	Lumitex develops, sources, manufactures and internationally markets a range of unique consumer products through the most powerful marketing channels existing, taking the concept of outsourcing to an extreme through its well-established and substantial partners.
EON Pty Ltd	The delivery of distance education, using content sourced from highly reputable institutions, proprietary management software and a delivery model which uses, inter alia, the concept of learning centres.
Booma Hyland Aquaculture Ltd	Operation of a licensed fish hatchery using proprietary breeding and production techniques. The company principally breeds endangered species, in particular the Eastern Freshwater Cod.
Paratech International Pty Ltd	Commercialisation of licensed technology for the reliable commercial supply of aquaculture feed (Paratemia).
Heart Assist Technologies Pty Ltd	The development of a proprietary Heart Assist Direct Cardiac Compression device which incorporates computer controlled pneumatic "Heart Patches".
Ceebron Pty Ltd	Development and commercialisation of "The Smart-Trace System" of a wireless based temperature monitoring system during the transportation of perishable goods.
WebND Technologies Pty Ltd	Utilisation of proprietary web hosting, networking and portal technology to enable information transfer and communication between virtual communities and organisations.
Aquaculture Research & Marketing Pty Ltd	Research and development for the aquaculture industry and the subsequent licensing of the commercial technology.
Virtual Meeting Online Pty Ltd	Development and supply of software technology providing low cost video, audio and data sharing between parties over broadband connection.

More information on the valuation of the investee companies is included in the Chairman's Review.

	Economic Entity		Parent Entity	
	30 June 2006 $	30 June 2005 $	30 June 2006 $	30 June 2005 $
6. INVESTMENT IN SUBSIDIARIES				
Bridgewater Development Capital Fund Limited	-	-	62,216	-
100% owned – incorporated and carries on business in Australia.				
7. PAYABLES (Current)				
Accrued expenses - third parties	197,234	70,879	96,543	70,879
- VentureAxess Fund Managers Limited	363,601	178,789	363,601	178,789
- VA Holdings Pty Ltd	46,614	115,383	46,614	115,383
- VA1 Pty Ltd	-	26,751	-	26,751
	607,449	391,802	506,758	391,802
8. SHORT TERM BORROWINGS				
Bank overdraft	194,890	-	194,890	-
Loan Notes	255,000	-	255,000	-
	449,890	-	449,890	-

The bank overdraft is secured by a floating charge over the assets of the company. Interest is payable at 4% above bank rate.

On repayment of the Loan Notes, the holder can elect to use the proceeds to acquire fully paid ordinary shares at $0.125 per share, and the Company can likewise elect to issue fully paid ordinary shares at $0.125 each and retain the proceeds of the repayment of the Loan Notes. Interest is payable monthly, at 7.5% per annum.

	Economic Entity 30 June 2006 $	Economic Entity 30 June 2005 $	Parent Entity 30 June 2006 $	Parent Entity 30 June 2005 $
9. DEFERRED TAX				
Deferred tax at a rate of 15% comprises:				
Un-realised gains on investments	913,599	521,756	913,599	521,756
Trading losses	(175,138)	(81,387)	(175,138)	(81,387)
Timing differences	(186,277)	(107,942)	(186,277)	(107,942)
	552,184	332,427	552,184	332,427
The movement in the deferred tax account is as follows:				
Opening balance	332,427	234,896	332,427	234,896
Charge to the income statement	219,757	97,531	219,757	97,531
At 30 June 2006	552,184	332,427	552,184	332,427

	Economic Entity 30 June 2006 $	Economic Entity 30 June 2005 $	Parent Entity 30 June 2006 $	Parent Entity 30 June 2005 $
10. PROVISIONS				
Provision for Fund Manager's Success Fee				
Opening balance	695,675	472,000	695,675	472,000
Charge to the income statement	505,199	223,675	505,199	223,675
At 30 June 2006	1,200,874	695,675	1,200,874	695,675

The Fund Manager is entitled to a success fee on the realisation of investments equivalent to 20% of the gains less losses, subject to the % age gain exceeding the increase in the Australian All Share Index over the period of the investment. Full provision of 20% of the unrealised net gain on investments has been made as it appeared at 30 June 2006 and 30 June 2005 that the net gains exceeded the % age increase in the All Share Index. Future increases in the All Share Index may reduce the provision.

11. CONTRIBUTED EQUITY

	Economic & Parent Entity 30 June 2006	Economic & Parent Entity 30 June 2005
Issued and paid up capital	$	$
48,216,447 fully paid ordinary shares (30 June 2005 – 31,018,760)	6,514,304	3,394,829
(2005 re-stated for 10 for 1 subdivision on 7 October 2005)		
Movements in contributed equity		
Balance at beginning of the year	3,394,829	2,547,534
Fully paid ordinary shares issued during the year at: - $0.10 per share	70,000	792,000
- $0.125 per share	110,000	81,200
- $0.16 per share	736,250	-
- $0.20 per share	2,203,225	-
Transaction costs relating to shares issued	-	(25,905)
	6,514,304	3,394,829

Ordinary Shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At Shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Shares reserved for issuance under options

The comparatives for 2005 have been adjusted to reflect the 10 for 1 subdivision of the ordinary shares on 7 October 2005

Ordinary share options

	30 June 2006	30 June 2005
Options issued on 25 July 2003 to shareholders on the register at 30 June 2003, on the basis of one option, exercisable at $0.175 each on or prior to 30 June 2006, for every one ordinary share held. The Directors resolved on 30 June 2006 to extend these options to 30 June 2007.	9,700,000	9,700,000
Options issued on 25 July 2003 to VA1 Pty Ltd exercisable at $0.175 each on or before 30 June 2006. As disclosed above, the Directors (excluding those with a conflict of interest) resolved to extend these options to 30 June 2007.	10,000,000	10,000,000
Options issued on 25 July 2003 to VA1 Pty Ltd exercisable at $0.30 each on or before 30 June 2007.	10,000,000	10,000,000

	Economic & Parent Entity	
	30 June $	30 June $
Options issued between October 2003 and April 2004 on the basis of one option, exercisable at $0.175 each on or prior to 31 December 2005, for every one ordinary share subscribed for at $0.15 per share (re-stated). These options lapsed during the year without any being exercised.	-	8,816,690
Options issued between December 2005 and 30 June 2006 (relating to subscription for Pre-IPO shares at $0.16 each) exercisable at $0.20 each on or prior to 15 March 2009.	4,914,915	-
Directors share options		
As at 30 June 2006, Directors had been issued (over a period of 6 years) 1,504,109 options (adjusted for the 10 for 1 subdivision of the ordinary shares on 7 October 2005) over ordinary shares in consideration of their services as directors to 30 June 2006. The options are exercisable at prices between $0.10 and $0.16 per share at various dates up to 30 June 2011. During the year 90,180 options lapsed. The entitlement to options was calculated in accordance with the terms in the original Information Memorandum.	1,413,929	905,730

12. STATEMENT OF CASHFLOWS

(a) Reconciliation of the operating profit to the net cash flows from / (used in) operating activities	Economic Entity		Parent Entity	
	30 June 2006 $	30 June 2005 $	30 June 2006 $	30 June 2005 $
Operating profit after tax	1,245,284	552,676	1,245,284	552,676
Changes in assets and liabilities:-				
(Increase)/decrease in revaluation of investments	(2,525,992)	(1,118,376)	(2,525,992)	(1,118,376)
Increase / (decrease) in accrued expenses (adjusted for acquisition of subsidiary)	99,272	155,095	114,956	155,095
Increase/(decrease) in deferred tax	219,757	97,531	219,757	97,531
Increase/(decrease) in long term provisions	505,199	223,675	505,199	223,675
Increase/(decrease) in option holders equity	17,032	10,574	17,032	10,574
(Increase) / decrease in sundry receivables	(86,836)	4,585	(102,520)	4,585
Net cash flows from / (used in) operating activities	(526,284)	(74,240)	(526,284)	(74,240)

(b) Reconciliation of cash

Cash balance comprises:				
Cash at bank	3,244	8,082	3,244	8,082

13. CONTINGENT LIABILITIES AND COMMITMENTS

Estimates of material amounts of contingent liabilities not provided for in the accounts.	-	-	-	-

The company has entered into conditional Investment Term Sheets with two companies, ZAP Holdings Pty Ltd and Hepatocell Therapies Pty Ltd, involving a maximum investment of up to $3.5 million. The principal condition is that VentureAxess Capital Limited has raised sufficient new funds to make the investments. VentureAxess Capital Limited may also bring in co-investors to take up some of the investment funding in these companies.

	Year to 30 June 2006 $	Year to 30 June 2005 $

14. SUBSEQUENT EVENTS

To the best of the Directors' knowledge and belief there have been no material items, transactions or events subsequent to 30 June 2006, which, although they do not relate to conditions existing at that date, have not been dealt with in this report and which would cause reliance on the information shown in this report to be misleading.

15. ECONOMIC DEPENDENCY

The company does not have any economic dependency with any one entity or group of entities.

16. EARNINGS PER SHARE

	Year to 30 June 2006 $	Year to 30 June 2005 $
(a) Basic earnings per share	3.24¢	2.04¢
(b) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share.	38,390,957	27,075,380

17. KEY MANAGEMENT PERSONELL

	Options granted		Value ($)	Value ($)
Directors	2006	2005	2006	2005
G Mullins	169,081	101,080	5,339	2,538
A Duff	-	58,940	-	1,480
B Ferguson	5,649	67,390	132	1,692
R Forbes	112,721	67,390	3,560	1,692
E Jones	112,721	67,390	3,560	1,692
P Kristensen	-	58,940	-	1,480
P Housden	101,827	-	3,304	-
Dame L Kramer	96,380	-	3,176	-
Company Secretary				
K Day	-	-	-	-
Total	598,379	421,130	19,071	10,574

Income paid or payable, or otherwise made available, in respect of the financial year, to all key management personnel of VentureAxess Capital Limited, directly or indirectly, from the company or any related party was $nil (2005 $nil)

There are no paid executives of the company.

18. AUDITORS' REMUNERATION

Amounts received or due and receivable by the auditors of VentureAxess Capital Limited for:

	2006 $	2005 $
– an audit or review of the financial report of the company	8,000	8,000
– other services in relation to the company	-	-
	8,000	8,000

19. RELATED PARTY DISCLOSURES

(a) The directors of VentureAxess Capital Limited (VAC) during the financial period were:

G E Mullins
B R Ferguson
R S Forbes
E W Jones
P Housden
Dame L Kramer

(b) Equity instruments of directors

Interests in the equity instruments of the company held by the directors of the reporting entity and their director-related entities at balance date, being the number of instruments held.

Ordinary Shares (Fully Paid)		Options over Ordinary Shares	
30 June 2006	30 June 2005	30 June 2006	30 June 2005
20,058,597	7,971,330	21,651,518	3,400,790

(c) The Directors are also interested in $20,000 of Loan Notes (2005 – Nil)

(d) All financial benefits provided by VentureAxess Capital Limited to related parties (other than benefits approved at a General Meeting) were provided on arm's length terms.

20. SEGMENT INFORMATION

Revenue is derived by the company from one operational segment, being investment, within Australia.

21. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposure

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

Fixed interest rate maturing in:

FINANCIAL INSTRUMENT	FLOATING INTEREST RATE		NON-INTEREST BEARING		TOTAL		INTEREST RATE	
	30.06.06	30.6.05	30.06.06	30.6.05	30.06.06	30.6.05	30.06.06	30.6.05
	$	$	$	$	$	$	%	%
(i) FINANCIAL ASSETS								
Cash	3,244	8,082	-	-	3,244	8,082	5.49	4.65
Receivables	-	-	97,850	11,014	97,850	11,014	-	-
Investments	-	-	12,393,612	6,703,326	12,393,612	6,703,326	-	-
Total Financial Assets	3,244	8,082	12,491,462	6,714,340	12,494,706	6,722,422		
(ii) FINANCIAL LIABILITIES								
Accounts payable	-	-	607,449	391,802	607,449	391,802	-	-
Bank overdraft	194,890	-	-	-	194,890	-	10.0%	n/a
Loan Notes	255,000	-	-	-	255,000	-	7.7%	n/a
Total Financial Liabilities	449,890	-	607,449	391,802	1,057,339	391,802		

(b) Net fair values of financial assets and liabilities

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date, are as follows:

	CARRYING AMOUNT		AGGREGATE NET FAIR VALUE	
	30.06.06 $	30.6.05 $	30.06.06 $	30.6.05 $
FINANCIAL ASSET				
Cash	3,244	8,082	3,244	8,082
Receivables	97,850	11,014	97,850	11,014
Investments	12,393,612	6,703,326	12,393,612	6,703,326
Total financial assets	12,494,706	6,722,422	12,494,706	6,722,422
FINANCIAL LIABILITIES				
Accounts payable	607,449	391,802	607,449	391,802
Bank overdraft	194,890	-	194,890	-
Loan Notes	255,000	-	255,000	-
Total financial liabilities	1,057,339	391,802	1,057,339	391,082

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

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

Receivables and payables: The carrying amount approximates fair value.

Investments: The carrying amount is equal to fair value which is assessed in accordance with accounting policy 1(b) at each balance date. In most instances the fair value is accessed to be equal to cost due to the lack of a liquid market and the inherent uncertainty of the future maintainable cash flows of seed and early stage venture capital investments.

(c) Credit Risk Exposures

The company's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

DIRECTOR'S DECLARATION

In accordance with a resolution of the directors of VentureAxess Capital Limited, I state that in the opinion of the directors:

(1) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

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

   (b) complying with Accounting Standards and Corporations Regulations; 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.

On behalf of the Board

G E Mullins
Chairman
Sydney
9 November 2006

WHK Greenwoods

Auditor’s Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of VentureAxess Capital Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK Greenwoods

WHK GREENWOODS

ANTHONY ROSE

Dated 9 November 2006

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VentureAxess Capital Limited

Independent Audit Report to the members of VentureAxess Capital Limited

For the year ended 30 June 2006

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for VentureAxess Capital Limited for the year ended 30 June 2006.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. 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, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated company's financial position, and of their performance as represented by the results of their operations, changes in equity 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 remuneration disclosures, 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.

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

Independence

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

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VentureAxess Capital Limited

Independent Audit Report to the members of VentureAxess Capital Limited

For the year ended 30 June 2006

Qualified Opinion

The financial report for the year ended 2005 was not audited by WHK Greenwoods. Accordingly, we are not in a position to and do not express an opinion on the comparatives for 2005 and, as a consequence, the income statement for 2006.

Audit opinion

In our opinion, except for the qualified opinion above, the financial report of VentureAxess Capital Limited:

1.
- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of VentureAxess Capital Limited at 30 June 2006, and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

2. is in accordance with other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter.

The directors are of the opinion that the ability of the Company to continue as a going concern is dependent on the continued availability of working capital, which is dependent on the successful completion of future capital raisings, and or from receipt of funds from sales of investments and or other future capital raising or trading activities.

Inherent Uncertainty Regarding Valuation of certain Venture Stage Investments

Without qualification to the opinion expressed above, attention is drawn to the following matter.

The directors have valued certain venture stage investments based on the present values of cash flows forecast to arise from the investment in the future, as detailed in note 1b. Forecast cash flows are based on assumptions regarding future events, which, at the date of this financial report, are the Directors expectation of what will take place. Actual future cash flows maybe different from those forecast, and accordingly, the present value of those cash flows may differ from the values of investments valued using this methodology in this financial report.

WHK Greenwoods

WHK GREENWOODS

ANTHONY ROSE

Principal

Dated 9 November 2006