

TECHNICHE LIMITED

A.C.N. 010 506 162

ANNUAL REPORT

30 JUNE 2006

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CORPORATE DIRECTORY

DIRECTORS	Alan Surrey Bogg (Chairman) (resigned 1 September 2006) Antony Edward Ranson Douglas Cornell Parry Leendert Hoeksema (appointed 9 May 2006) (Chairman from 1 September 2006) Noel Francis Robertson (resigned 30 June 2006)
COMPANY SECRETARY	Leni Pia Stanley
AUDITORS	PricewaterhouseCoopers Chartered Accountants Waterfront Place 1 Eagle Street Brisbane, Queensland 4000
SOLICITORS	Corrs Chambers Westgarth Waterfront Place 1 Eagle Street Brisbane, Queensland 4000
BANKERS	Westpac Banking Corporation 260 Queen Street Brisbane, Queensland 4000
REGISTERED OFFICE	Stanley Yeates & Associates Level 1, 101 Edward Street Brisbane, Queensland 4000
SHARE REGISTRY	Link Market Services Limited Level 12, Hong Kong Bank Building 300 Queen Street Brisbane, Queensland 4000 Telephone: + 61 (02) 8280 7965 Facsimile: + 61 (07) 3228 4999
DOMICILE AND COUNTRY OF INCORPORATION	Australia
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS	Level 1, 101 Edward Street Brisbane, Queensland 4000 GPO Box 363 Brisbane, Queensland 4001 Telephone: + 61 (07) 3221 3233 Facsimile: + 61 (07) 3221 6625
STOCK EXCHANGE LISTING	Techniche Limited shares are listed on the Australian Stock Exchange.

DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors present their twenty second annual report on the consolidated entity (referred to hereafter as the Group) consisting of Techniche Limited and the entities it controlled at the end of, or during, the year ended June 30, 2006.

DIRECTORS

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

Antony Edward Ranson
Douglas Cornell Parry

Mr Leendert Hoeksema was appointed a director on 9 May 2006 and continues in office at the date of this report. Mr Leendert Hoeksema has been appointed Chairman from 1 September 2006.

Mr Alan Surrey Bogg was a director and Chairman from the beginning of the financial year until his resignation on 1 September 2006.

Mr Noel Francis Robertson was a director from the beginning of the financial year until his resignation on 30 June 2006.

PRINCIPAL ACTIVITIES

The principal continuing activity of the Group is venture capital.

DIVIDENDS

The Directors do not recommend payment of a dividend in respect of the year ended June 30, 2006.

RESULTS

The consolidated after tax results of the Group are set out in the table following.

	June 30 2006 \$	June 30 2005 \$
Revenue from continuing operations	96,493	134,210
Other income	-	817
Depreciation and amortisation expenses	(1,261)	(540)
Operating lease expense	(17,750)	(54,024)
Costs associated with sale of assets	-	(300,000)
Impairment of assets	(245,121)	-
Other expenses	(268,016)	(622,357)
Share of net losses of associate accounted for using the equity method	(293,205)	(61,674)
Loss before income tax	(728,860)	(903,568)
Income tax expense	-	-
Loss for the year	(728,860)	(903,568)

REVIEW OF OPERATIONS

Comments on the operations and the results of those operations are set out below:

Theta Technologies Pty Limited

Theta is a Brisbane based software company that has developed two software programmes. The main programme is a generic risk management and auditing tool called Information Leader (IL). The second programme is a training module, QTS (I-Train). Techniche Limited owns 25% of the company.

IL has been developed using the Microsoft .NET environment and it has been well accepted by the regulatory authorities, industry bodies and clients/users to which it has been sold. IL software replaces paper-based recording and tracking systems for quality control, quality auditing and reporting. In an increasingly regulated quality control environment for business, some manufacturing and service industries are struggling with the workload and cost of preparing, tracking, checking and filing their quality control information in a timely, compliant and cost effective manner. IL is designed to provide significant cost and quality benefits in complying with these requirements. Theta originally targeted the export red meat processing industry and has achieved considerable success in accessing the members of this vertical market where Theta obtained the official endorsement of the industry body resulting in a substantial coverage of the Australia market. Theta has also achieved significant sales into the New Zealand market in this industry.

Theta has spent significant time during the past year developing additional sales outlets through the appointment of distributors and agents. The company has also targeted additional industries other than the red meat industry, including food processing, pharmaceuticals, aged care and retailing. As well, progress is being made in export sales with the UK being the major target.

Theta spent the first three years of its life developing and improving its main product (IL) and it is only in the past two years that the company has commenced sales activities. Theta derives its income mainly from the sale of its IL product license, installation and training fees, annual license renewals and special projects contracts on a daily rate. In 2005/06 Theta recorded new sales contracts valued at \$1,300,000 up from \$860,000 in 2004/05 and \$490,000 in 2003/04. Theta recorded a loss of \$551,000 during 2005/06. This was substantially worse than budget which indicated profitability. The company's budget for the current year is for sales of \$2.3 million and a profit of \$300,000.

PARENT ENTITY

In 2006 financial year the result for the parent entity, Techniche Limited, was a loss of \$790,534 (2005: \$841,894 loss).

EARNINGS PER SHARE

	2006	2005
	Cents	Cents
Basic earnings per share	(1.8)	(2.2)
Diluted earnings per share	(1.8)	(2.2)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS DURING THE YEAR

Significant changes in the state of affairs of the Group during the financial year were as follows:

An increase in contributed equity of \$2,528 (from \$61,907,170 to \$61,909,698) as a result of the issue of 252,805 fully paid ordinary shares from the payment of \$0.01 on partly paid shares previously on issue

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has been no matter or circumstance which has arisen since June 30, 2006 that has significantly affected, or may significantly affect:

1. the Group's operations in future financial years, or
2. the results of those operations in future financial years; or
3. the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS

Likely developments in the activities of the Group have been set out on page 4 of this report.

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

ENVIRONMENTAL REGULATION

The Group is subject to normal state and federal environmental regulations. The Directors are unaware of any breaches of environmental regulations during the year.

INFORMATION ON DIRECTORS

A S Bogg B.Sc., B.Ec. *Chairman – non-executive. Age 65. (resigned 1 September 2006)*

Experience and expertise

Independent non-executive director for 22 years and Chairman for 6 years. Extensive experience in the Resources Industry.

Other current directorships

Non-executive director of one other public company: Suncoast Gold Macadamia Australia Limited (director since 2000).

Former directorships in last 3 years

Non-executive director of Bligh Ventures Limited from 1980 to 2006.

Special responsibilities

Chairman of the Board

Member of the audit committee

Interests in shares and options

150,250 ordinary shares in Techniche Limited.

A E Ranson B.Com, CA, FAICD. *Non-executive director. Age 69.*

Experience and expertise

Non-executive director for 15 years. Extensive experience on public company boards through a number of public company directorships over the last 20 years.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chairman of the audit committee

Interests in shares and options

1,020,000 ordinary shares in Techniche Limited

D C Parry, *Non-executive director. Age 44.*

Experience and expertise

Non-executive director for 2 years.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Member of the audit committee

Interests in shares and options

2,838,600 ordinary shares in Techniche Limited

L Hoeksema, Non-executive director. Age 72.

Experience and expertise

Non-executive director since 9 May 2006.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Member of the audit committee.

Interests in shares and options

8,170,000 ordinary shares in Techniche Limited

Company secretary

The company secretary is Ms L P Stanley. Ms Stanley was appointed to the position of company secretary in 2005. She also holds similar positions with a number of other listed public companies. She is currently a partner with a Chartered Accounting firm in Brisbane.

MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2006, and the numbers of meetings attended by each director were:

	Full Meetings of Directors	Meetings of Audit Committee
Number of meetings held	7	3
Number of meetings attended by:		
A S Bogg	7	3
A E Ranson	7	3
N Robertson	6	1
D C Parry	6	2
L Hoeksema	1*	-

* Only one meeting held whilst a director

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS'

Mr L Hoeksema was appointed a director on 9 May 2006. In accordance with the Constitution, Mr L Hoeksema retires as a director at the annual general meeting, and being eligible, offers himself for re-election.

Mr D C Parry is the director retiring by rotation who, being eligible, offers himself for re-election.

REMUNERATION REPORT***Principles used to determine the nature and amount of remuneration (audited)***

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board.

Directors' fees

The current base remuneration for each director was last reviewed with effect from 1 January 2004. Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$300,000 in aggregate and was last reviewed on 16 December 1999.

Details of remuneration (audited)

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

Key management personnel of Techniche Limited

Name	Short-term employee benefits	Post-employment Benefits	Share-based payment	Total \$
	Cash salary and fees \$	Superannuation \$	Options \$	
<i>Non-executive directors</i>				
A S Bogg	20,000	1,800	-	21,800
A E Ranson	10,000	900	-	10,900
D C Parry	10,000	900	-	10,900
N F Robertson	10,000	900	-	10,900
L Hoeksema**	-	-	-	-
Total	50,000	4,500	-	54,500
<i>Other key management personnel</i>				
L P Stanley *	15,000	-	-	15,000
Total	15,000	-	-	15,000

Name	Short-term employee benefits	Post-employment Benefits	Share-based payment	Total \$
	Cash salary and fees \$	Superannuation \$	Options \$	
<i>Non-executive directors</i>				
A S Bogg	40,000	3,600	-	43,600
A E Ranson	20,000	1,800	-	21,800
D C Parry	20,000	1,800	-	21,800
N F Robertson	20,000	1,800	-	21,800
Total	100,000	9,000	-	109,000
<i>Other key management personnel</i>				
R C Brown (resigned 17/11/05)	-	-	-	-
L P Stanley (appointed 25/02/05)*	5,000	-	-	5,000
Total	5,000	-	-	5,000

* This represents payments to L Stanley in the capacity of Company Secretary. Other fees for accounting and administration services are paid by the company to a firm of which L Stanley is a partner.

** Mr L Hoeksema was appointed to the board on 9 May 2006. Mr L Hoeksema does not receive any remuneration.

Additional information (unaudited)**Share options granted to directors and the most highly remunerated officers**

There have been no options over unissued shares of Techniche Limited granted during or since the end of the financial year to any of the directors or the five most highly remunerated officers of the company and consolidated entity as part of their remuneration.

SHARES UNDER OPTION

There are no unissued ordinary shares of Techniche Limited under option at the date of this report.

Shares issued on the exercise of options

No ordinary shares of Techniche Limited were issued during the year ended 30 June 2006 on the exercise of options.

INSURANCE OF OFFICERS

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate 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.

NON-AUDIT SERVICES

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

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

	Consolidated	
	2006	2005
	\$	\$

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

Audit services

Total fees paid to PricewaterhouseCoopers Australian firm for the audit and review of financial reports and other audit work under the Corporations Act 2001:

- for the financial year ended 30 June 2006	42,000	-
- for the financial year ended 30 June 2005	19,100	39,500
	-----	-----
	61,100	39,500
	=====	=====

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

AUDITOR

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

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



D Parry
Director

Brisbane
13 September 2006

PricewaterhouseCoopers
ABN 52 780 433 757

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Auditor's Independence Declaration

As lead auditor for the audit of Techniche Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

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

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



Robert Hubbard
Partner
PricewaterhouseCoopers

Brisbane
21 September 2006

CORPORATE GOVERNANCE STATEMENT

Techniche Limited ("Techniche") has adopted the "Principles of Good Corporate Governance and Best Practice Recommendations" ("Recommendations") where applicable and has adopted the "if not, why not" alternative offered in the Recommendations.

A full set of Techniche's corporate governance policies and charters are available on request from the company.

Board Responsibilities

The Board is responsible to shareholders for the governance of Techniche Limited, its operations and financial performance. The Board has adopted a Board & Governance Charter which sets out, among other things, the roles and responsibilities of the Board. The responsibilities of the Board include:

- Review, advance and approve Techniche's:
 - objectives and strategies,
 - investment program, and
 - capital management.
- Monitor Techniche's businesses, financial performance, and corporate governance including risk management, audit processes and compliance with laws, policies and procedures.
- Oversee the financial position of Techniche.
- Report to shareholders.
- Ensure effective control systems are in place.

Board Structure

All the directors are non-executive however the majority of the Directors are not independent in accordance with the definition of 'independence' as set out in the recommendations. Mr L Hoeksema and Mr D Parry do not satisfy the definition of 'independence' due to their substantial shareholding in the company. Given this, the Company does not comply fully with Recommendation 2.1 however the Board believes it brings a wealth of relevant practical experience to the Company and they have a significant vested interest in ensuring proper governance.

The skills, experience, qualifications and special responsibilities of each director are set out in "Information on Directors" detailed earlier in this Annual Report. The term of each Director is limited to three years, and each year one-third of the Board retire pursuant to the Constitution and may offer themselves for re-election by shareholders at the Annual General Meeting. Each Director is expected to declare any actual or potential conflict of interest, and where necessary, a Director may obtain independent advice prior to notifying the Chairman of any such conflict.

At the present time the Company's Chairman is not an independent Director which is inconsistent with the requirements of Principle 2.2 of the Recommendations. The Board considers that, at the present time, the Company's interests are best served by having Mr L Hoeksema as its Chairman. Mr Hoeksema has a substantial interest in the Company's shares but is not an executive of the Company and for the reasons outlined above that shareholding may be seen as beneficial to the interests of all shareholders.

Consistent with the recognition in Principle 2.4 of the Recommendations that a Nominations Committee may not be efficient for smaller boards, Techniche's nomination matters are considered by the Board as a whole, as set out in the Charter. The Board, as a whole, aims to ensure that it always has an appropriate diversity of qualifications, experience and expertise consistent with the objectives of Techniche.

Performance Review

In accordance with the Board & Governance Charter, the Chairman will conduct a performance review of the Board focusing on the overall effectiveness and competencies of the Board, and the availability and contribution of each Director. This performance review will be undertaken by the Chairman prior to the Annual General Meeting of the company in a manner consistent with Principle 8.1 of the Recommendations.

Audit Committee

The Audit Committee, which operates under a Charter approved by the Board, provides advice and assistance to the Board in fulfilling the Board's responsibilities relating to Techniche's financial statements, financial and market reporting processes, internal accounting and financial control systems, internal audit, external audit, risk management and such other matters as the Board may request from time to time. The Audit Committee processes are consistent with Principles 4.2 through 4.4.

The Committee is composed of all Directors of the Board and is chaired by an Independent Director who is not the Chairman of the Company, Mr A E Ranson.

The specific responsibilities of the Committee include:

- Overseeing the adequacy and effectiveness of the company's accounting and financial policies and controls including compliance with all regulatory requirements;
- Overseeing the company's financial reporting process, specifically, its annual and interim financial statements;
- Reviewing the scope and plans for external audit, and all reports issued by the external auditor;
- Reviewing performance, approve remuneration, and, as needed, recommend to the Board the appointment of the external auditor;
- Reviewing any proposed activity or service by the providers of external audit unrelated to external audit assurance activities;
- Examining the adequacy of the nature, extent and effectiveness of the internal control process of the company; and
- Overseeing the risk management framework of the company and reviewing risk management reports.

Remuneration Policy

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$300,000 in aggregate

Further information on remuneration matters are included in Note 18 of the Financial Statements and the Directors' Report.

The structure and disclosure of the company's remuneration arrangements is consistent with Principles 9.1, 9.3 and 9.4 of the Recommendations.

Independent professional advice

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Code of Conduct

The company seeks to maintain high standards of integrity and is committed to ensuring that Techniche conducts all its business in accordance with high standards of ethical behaviour.

The company requires employees, if any, to comply with the spirit and the letter of all laws and other statutory requirements governing the conduct of Techniche's activities. The Code of Conduct applies to the company's Directors.

The Company has developed a Securities Trading Policy which provides guidance to Directors and employees on the purchase and sale of securities of Techniche:

- In order that breaches of the Australian Corporations Act 2001 do not occur; and
- To ensure dealings by Directors and employees in Techniche's securities are fair, and are seen to be fair.

The company's actions, outlined above, to promote ethical and responsible decision making are consistent with principles 3.1, 3.2 and 10.1 of the Recommendations where applicable.

Risk Management

Techniche views risk recognition and risk management as integral to the company's objectives of creating and maintaining shareholder value, and the successful execution of Techniche's strategies.

The Board as a whole is responsible for the oversight of the processes by which risk is considered for both ongoing operations and prospective actions. In specific areas, it is assisted by the Audit Committee.

Not all aspects of risk management can be formalised, and Techniche places considerable reliance on the skill, experience and judgement of its people to take risk based decisions within the policy framework, and to communicate openly on all risk related matters.

The company's risk management procedures are consistent with Principle 7.1 of the Recommendations.

Disclosure Policy

Techniche's Continuous Disclosure Policy sets out the company's commitment to comply with its continuous disclosure obligations. Where applicable directors, senior management and other employees of, and consultants to, Techniche are required to adhere to the procedures set out in the Policy to ensure compliance with the legal requirements for disclosure. Underpinning the Continuous Disclosure Policy is the disclosure protocol which governs Techniche's policy in relation to interactions with external individuals, investors, stockbroking analysts and market participants.

When Techniche makes an announcement to the market, it is released through the Australian Stock Exchange where the company's shares are quoted. The Company Secretary, as the designated Disclosure Officer, is responsible for Techniche's compliance with its continuous disclosure obligations and for overseeing and co-ordinating disclosures to the ASX and other interested parties.

The company's Continuous Disclosure Policy is consistent with Principle 5.1 of the Recommendations.

Executive Assurance

The Chairman and Company Secretary have provided the following assurance to the Techniche Board in connection with Techniche's full year financial statements and reports, to the best of their knowledge and belief:

- The financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at 30 June 2006 and the performance of the company for the year then ended and comply in all material respects with Accounting Standards;
- The statements made above regarding the integrity of the financial statements is founded on a system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the Board of Directors; and
- The risk management and internal compliance and control systems of the company relating to financial reporting, compliance and operations objectives are operating efficiently and effectively, in all material respects.

The executive assurance is consistent with Principles 4.1 and 7.2 of the Recommendations.

Investor Relations and Communications

Techniche is committed to communicating with its investors in an effective and timely manner. The company's external auditor is available at the Annual General Meeting to answer questions from shareholders about the conduct of the audit and the preparation and content of the audit report and the company's financial reports.

The Investor Relations and Communications Policy is consistent with Principles 6.1 and 6.2 of the Recommendations, and all of the specified information requirements of Principles 2.5, 3.3, 4.5, 5.2 and 9.5 are met.

Techniche Limited

Annual financial report – 30 June 2006

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This financial report covers both Techniche Limited as an individual entity and the consolidated entity consisting of Techniche Limited and its subsidiaries. The financial report is presented in the Australian currency.

Techniche Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

c/- Stanley Yeates & Associates
Level 1, 101 Edward Street
Brisbane QLD 4000

Principal place of business

Level 1, 101 Edward Street
Brisbane QLD 4000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 3 – 9 which is not part of this financial report.

The financial report was authorised for issue by the directors on 29 August 2006. The company has the power to amend and reissue the financial report.

TECHNICHE LIMITED
INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Consolidated		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenue	5	96,493	134,210	96,493	134,210
Other income	6	-	817	-	817
Depreciation expense	7	(1,261)	(540)	(1,261)	(540)
Consulting fees		(72,882)	(147,601)	(72,882)	(147,601)
Office expense		(17,750)	(54,024)	(17,750)	(54,024)
Directors remuneration		(54,500)	(109,000)	(54,500)	(109,000)
Auditors remuneration		(61,100)	(33,000)	(61,100)	(33,000)
Annual report and general meeting expenses		(15,608)	(13,956)	(15,608)	(13,956)
Legal fees		(14,895)	(165,000)	(14,895)	(165,000)
Share registry and listing fees		(28,139)	(21,648)	(28,139)	(21,648)
Refund of Irish grant funds		-	(91,790)	-	(91,790)
Costs associated with assets sold		-	(300,000)	-	(300,000)
Impairment of assets	7	(245,121)	-	(600,000)	-
Other expenses from ordinary activities		(20,892)	(40,362)	(20,892)	(40,362)
Share of net losses of associates accounted for using the equity method		(293,205)	(61,674)	-	-
Loss before income tax		(728,860)	(903,568)	(790,534)	(841,894)
Income tax expense		-	-	-	-
Loss attributable to members of Techniche Limited		(728,860)	(903,568)	(790,534)	(841,894)

Earnings per share for loss attributable to the ordinary equity holders of the company:

		Cents	Cents
Basic earnings per share	27	(1.8)	(2.2)
Diluted earnings per share	27	(1.8)	(2.2)

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

TECHNICHE LIMITED
BALANCE SHEETS AS AT 30 JUNE 2006

	Notes	Consolidated		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	9	1,544,298	2,020,414	1,544,298	2,020,414
Trade and other receivables	10	9,202	19,692	9,202	19,692
Other financial assets	11	-	400,000	-	400,000
Total current assets		<u>1,553,500</u>	<u>2,440,106</u>	<u>1,553,500</u>	<u>2,440,106</u>
Non-current assets					
Investments accounted for using the equity method	12	500,000	638,326	-	-
Other financial assets	13	-	-	500,000	700,000
Property, plant and equipment	14	1,200	2,461	1,200	2,461
Total non-current assets		<u>501,200</u>	<u>640,787</u>	<u>501,200</u>	<u>702,461</u>
Total assets		<u>2,054,700</u>	<u>3,080,893</u>	<u>2,054,700</u>	<u>3,142,567</u>
LIABILITIES					
Current liabilities					
Trade and other payables	15	45,223	345,084	45,223	345,084
Total current liabilities		<u>45,223</u>	<u>345,084</u>	<u>45,223</u>	<u>345,084</u>
Total liabilities		<u>45,223</u>	<u>345,084</u>	<u>45,223</u>	<u>345,084</u>
NET ASSETS		<u>2,009,477</u>	<u>2,735,809</u>	<u>2,009,477</u>	<u>2,797,483</u>
Equity					
Contributed equity	16	61,909,698	61,907,170	61,909,698	61,907,170
Accumulated losses	17	(59,900,221)	(59,171,361)	(59,900,221)	(59,109,687)
TOTAL EQUITY		<u>2,009,477</u>	<u>2,735,809</u>	<u>2,009,477</u>	<u>2,797,483</u>

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

TECHNICHE LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Consolidated		Parent Entity	
		2006	2005	2006	2005
Total equity at the beginning of the financial year		2,735,809	3,639,377	2,797,483	3,639,377
Loss for the year		(728,860)	(903,568)	(790,534)	(841,894)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs		2,528	-	2,528	-
Total equity at the end of the financial year		<u>2,009,477</u>	<u>2,735,809</u>	<u>2,009,477</u>	<u>2,797,483</u>

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

TECHNICHE LIMITED
CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Notes	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	4,836	40,269	4,836	40,269
Payments to suppliers (inclusive of GST)	(276,028)	(736,659)	(276,028)	(736,659)
Interest received	92,548	140,941	92,548	140,941
Net cash outflows from operating activities	(178,644)	(555,449)	(178,644)	(555,449)
Cash flows from investing activities				
Payments for investment	-	(700,000)	-	(700,000)
Payments for convertible note	-	(400,000)	-	(400,000)
Repayment of loan by Commander Australia Limited	-	1,000,000	-	1,000,000
Proceeds from sale of investment	-	917	-	917
Costs associated with assets sold	(300,000)	-	(300,000)	-
Net cash outflows from investing activities	(300,000)	(99,083)	(300,000)	(99,083)
Cash flows from financing activities				
Proceeds from share issue	2,528	-	2,528	-
Net cash inflows from financing activities	2,528	-	2,528	-
Net increase (decrease) in cash held	(476,116)	(654,532)	(476,116)	(654,532)
Cash and cash equivalents at the beginning of the financial year	2,020,414	2,674,946	2,020,414	2,674,946
Cash and cash equivalents at the end of the financial year	1,544,298	2,020,414	1,544,298	2,020,414

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

**TECHNICHE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006**

1. Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs

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

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first full year Techniche Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Techniche Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Techniche Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in note 28.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Techniche Limited ("company" or "parent entity") as at 30 June 2006 and the results of all subsidiaries for the year then ended. Techniche Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

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

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

Note 1 Summary of significant accounting policies (continued)*Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes \$976,014 of intangible assets acquired on acquisition (net of any accumulated amortisation expense and impairment loss) identified on acquisition (refer note 12).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

(c) Segment reporting

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

(d) Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted in each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

(e) Acquisitions of assets

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

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

(f) Impairment of assets

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

Note 1 Summary of significant accounting policies (continued)**(g) Investments and other financial assets****From 1 July 2004 to 30 June 2005**

The Company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

As at 1 July 2005 the convertible note was reclassified from current assets – other financial assets to an available for sale financial asset and was remeasured to fair value which was equal to the book value at 30 June 2005.

(h) Fair value estimation

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Receivables

All receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. They are generally due for settlement within 30-60 days of recognition.

(k) Plant and equipment

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

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

Depreciation is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment	2 - 6 years
---------------------	-------------

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Note 1 Summary of significant accounting policies (continued)**(l) Trade and other creditors**

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

(m) Contributed equity

Ordinary shares are classified as equity. Incremental costs attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(n) Revenue recognition

Interest revenue is recognised on an effective interest rate method.

(o) Earnings per share**(i) Basic earnings per share**

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

(ii) Diluted earnings per share

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

(p) Goods and Services Tax (GST)

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

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

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

(q) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Group has assessed the impact of these new standards and interpretations and have determined that given the nature of the Group's operations they will have no impact on the financial statements upon implementation.

Note 2 Financial risk management

The Group's activities expose it to cash flow interest rate risk as it has significant interest bearing deposits.

Note 3 Critical accounting judgements*Amortisation of intangible assets in associate*

The Group has determined the intangible assets acquired on acquisition of their investment in Theta Technologies Pty Limited to have a finite life of 5 years. Amortisation of \$176,208 has been applied against the Group's carrying value of their investment in Theta Technologies Pty Limited.

Carrying value of Investment in Theta Technologies Pty Ltd

The directors' assessment of recoverable amount has been based on their assessment of the fair value less cost to sell of the investment in Theta Technologies Pty Ltd. In arriving at this assessment the directors have taken into consideration the historical financial performance of Theta, the Theta budget for the year ending 30 June 2007, the absence of a liquid market for shares in Theta and rates of return implicit to the industry and associated risk profile of the investment (note 7).

Note 4 Segment information

The holding company is a venture capital company holding investments in unlisted entities in Australia.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Note 5 Revenue				
<i>Other revenue</i>				
Interest received from unrelated corporations	81,822	123,278	81,822	123,278
Interest received from related entities	14,671	10,932	14,671	10,932
	-----	-----	-----	-----
	96,493	134,210	96,493	134,210
	=====	=====	=====	=====
Note 6 Other income				
Net gain on disposal of investments	-	817	-	817
	=====	=====	=====	=====

Note 7 Expenses**Profit before income tax includes the following specific expenses:***Depreciation*

Plant and equipment	1,261	540	1,261	540
	-----	-----	-----	-----
<i>Impairment charges</i>				
Investment in associates	245,121	-	600,000	-
	-----	-----	-----	-----

An impairment charge has been recognised of \$245,121 for the consolidated entity and \$600,000 for the parent entity in relation to its investment in Theta Technologies Pty Ltd. This investment has been equity accounted by the consolidated entity which has resulted in the different impairment charge between the consolidated entity and the parent entity. The directors' have made an assessment of the recoverable amount of the investment in Theta Technologies at 30 June 2006 of \$500,000 for both the consolidated and parent entity financial statements.

The director's assessment of recoverable amount has been based on their assessment of the fair value less cost to sell of the investment in Theta Technologies Pty Ltd. In arriving at this assessment the directors have taken into consideration the historical financial performance of Theta, the Theta budget for the year ending 30 June 2007, the absence of a liquid market for shares in Theta and rates of return implicit to the industry and associated risk profile of the investment.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Note 8 Income Tax				
(a) Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Under (over) provided in prior years	-	-	-	-
	-----	-----	-----	-----
	-	-	-	-
	-----	-----	-----	-----
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets	-	-	-	-
(Decrease) increase in deferred tax liabilities	-	-	-	-
	-----	-----	-----	-----
	-	-	-	-
	-----	-----	-----	-----
(b) Numerical reconciliation of income tax Expense to prima facie tax payable				
Profit before income tax expense	(728,860)	(903,568)	(790,534)	(841,894)
	-----	-----	-----	-----
Tax at the Australian tax rate of 30% (2005 – 30%)	(218,658)	(271,070)	(237,160)	(252,569)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-deductible expenditure				
Other	4,685	186,292	4,685	167,790
Accounting profit/(loss) on disposal of investment	-	(295,761)	-	(295,761)
	-----	-----	-----	-----
	(213,973)	(380,539)	(232,475)	(380,539)
Losses for which no deferred tax asset has been recognised	213,973	380,539	232,475	380,539
	-----	-----	-----	-----
Income tax expense	-	-	-	-
	=====	=====	=====	=====
(c) Tax losses				
Unused tax losses for which no deferred tax asset for which no deferred tax asset has been recognised	55,074,388	54,612,920	55,074,388	54,612,920
	-----	-----	-----	-----
Potential tax benefit @ 30%	16,522,316	16,383,876	16,522,316	16,383,876
	=====	=====	=====	=====

All unused tax losses were incurred by Australian entities.

(d) Tax consolidation legislation

Techniche Limited and its wholly-owned Australian controlled entities have decided not to implement the tax consolidation legislation as of 1 July 2003. At this stage no decision on whether the entity intends to implement the tax consolidation legislation in a future reporting period has been made.

Note 9 Current assets – Cash and cash equivalents

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash at bank and in hand	11,501	22,617	11,501	22,617
Deposits at call	1,532,797	1,997,797	1,532,797	1,997,797
	-----	-----	-----	-----
	1,544,298	2,020,414	1,544,298	2,020,414
	=====	=====	=====	=====

(a) Cash at bank and on hand

These are non-interest bearing.

(b) Deposits at call

The deposits are bearing floating interest rates between 5.3% and 5.6% (2005 – 5.05% and 5.3%).

Note 10 Current assets – Trade and other receivables

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Other receivables	8,020	17,369	8,020	17,369
Prepayments	1,182	2,323	1,182	2,323
	-----	-----	-----	-----
	9,202	19,692	9,202	19,692
	=====	=====	=====	=====

Note 11 Current assets - Other financial assets

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Convertible note	-	400,000	-	400,000
	=====	=====	=====	=====

Convertible note

During the prior financial year Techniche acquired an existing convertible note in Theta Technologies Pty Limited with a face value of \$333,333 for \$400,000. Interest was charged at the Reserve Bank Rate + 5%. The convertible note was converted on 1 December 2005 to 27 ordinary shares on that date representing 8.33% of total equity in Theta Technologies Pty Limited, post conversion.

Note 12 Non-current assets – Investments accounted for using the equity method

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Shares in associates	500,000	638,326	-	-
	=====	=====	=====	=====

Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (see note 25).

Note 13 Non-current assets – Other financial assets

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Shares in associates – at cost	-	-	1,100,000	700,000
Less impairment charge (note 7)	-	-	(600,000)	-
	-----	-----	-----	-----
	-	-	500,000	700,000
	=====	=====	=====	=====

Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (see note 25).

Note 14 Non-current assets - Property, plant and equipment

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Plant and equipment at cost	6,760	6,760	6,760	6,760
Accumulated depreciation	(5,560)	(4,299)	(5,560)	(4,299)
	-----	-----	-----	-----
Net book amount	1,200	2,461	1,200	2,461
	=====	=====	=====	=====

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

Consolidated & Parent entity**Plant and equipment
\$****Year ended 30 June 2005**

Opening net book amount	3,001
Additions	-
Disposals	-
Depreciation / amortisation expense	(540)
Closing net book amount	2,461

Consolidated & Parent entity**Plant and equipment
\$****Year ended 30 June 2006**

Opening net book amount	2,461
Additions	-
Disposals	-
Depreciation / amortisation expense	(1,261)
Closing net book amount	1,200

Note 15 Current liabilities – Trade and other payables

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Trade payables	14,223	30,084	14,223	30,084
Other payables	31,000	315,000	31,000	315,000
	-----	-----	-----	-----
	45,223	345,084	45,223	345,084
	=====	=====	=====	=====

Note 16 Contributed equity

		Parent entity		Parent entity	
		2006	2005	2006	2005
(a)	Share capital	Shares	Shares	\$	\$
	Ordinary shares				
	Fully paid	(b),(c)			
	Called to 99 cents	(e)			
		41,030,668	40,777,863	61,829,820	61,577,015
		80,685	333,490	79,878	330,155
		-----	-----	-----	-----
		41,111,353	41,111,353	61,909,698	61,907,170
		=====	=====	=====	=====

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of Shares	Issue Price	\$
1 July 2004	Opening balance		41,111,353		61,907,170
14 July 2005	Partly paid shares paid up	(c)	-		2,528
30 June 2006	Balance		41,111,353		61,909,698
			-----		-----
			41,111,353		61,909,698
			=====		=====

(c) Ordinary shares

During the financial year 252,805 ordinary shares called to 99 cents, on which a further \$0.01 was outstanding, were paid up. The outstanding amount was received on 14 July 2005.

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options

Options to take up ordinary shares in the capital of Techniche Limited have been granted as follows:

No options were issued during the year and no options have been issued since the end of the year. 1,000,000 options expired during the year. At the date of this report there were no options to acquire ordinary shares in Techniche Limited on issue.

(e) Partly paid shares

At 30 June 2006 80,685 partly paid shares are on issue. Each partly paid share requires payment of 1 cent to become fully paid and this is the amount that is legally recoverable against these shares.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$

Note 17 Accumulated losses

Accumulated losses at the beginning of the financial year	(59,171,361)	(58,267,793)	(59,109,687)	(58,267,793)
Net loss for the year	(728,860)	(903,568)	(790,534)	(841,894)
	-----	-----	-----	-----
Accumulated losses at the end of the financial year	(59,900,221)	(59,171,361)	(59,900,221)	(59,109,687)
	=====	=====	=====	=====

Note 18 Key management personnel disclosures**(a) Directors**

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

(i) Chairman – non-executive

A S Bogg (resigned 1 September 2006)

(ii) Non-executive directors

A E Ranson

D C Parry

L Hoeksema (from 9 May 2006) (Chairman from 1 September 2006)

N F Robertson resigned from the position of non-executive director on 30 June 2006.

(b) Other key management personnel

L P Stanley was appointed company secretary on 25 February 2005. Due to her position as company secretary L P Stanley is considered to be key management personnel for the purposes of this financial report. L P Stanley was also a key management person during the year ended 30 June 2005.

(c) Key management personnel compensation

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Short-term benefits	65,000	105,000	65,000	105,000
Post-employment benefits	4,500	9,000	4,500	9,000
	-----	-----	-----	-----
	69,500	114,000	69,500	114,000
	=====	=====	=====	=====

The company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on page 8.

(d) Equity instrument disclosures relating to key management personnel**Option holdings**

The numbers of options over ordinary shares in the company held during the financial year by each director of Techniche Limited and other key management personnel of the Group, including their personally-related entities, are set out below.

2006						
Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Techniche Limited						
N Robertson	1,000,000	-	-	(1,000,000)	-	-

No options are vested and unexercisable at the end of the year.

Note 18 Key management personnel disclosures (continued)

2005						
Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Techniche Limited						
N Robertson	1,000,000	-	-	-	1,000,000	1,000,000

Share holdings

The numbers of shares in the company held during the financial year by each director of Techniche Limited and other key management personnel of the Group, including their personally-related entities, are set out below. There were no shares granted during the year as compensation.

2006				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Techniche Limited				
Ordinary shares				
A S Bogg	850,250	-	-	850,250
A E Ranson	1,025,000	-	15,000	1,040,000
D C Parry	9,638,600	-	2,810,778	12,449,378
N F Robertson	100,000	-	(100,000)	-
L Hoeksema	9,638,600	-	2,810,778	12,449,378
Other Key Management Personnel of the Group and Techniche Limited				
Ordinary shares				
L P Stanley	193,542	-	-	193,542

2005				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Techniche Limited				
Ordinary shares				
A S Bogg	850,250	-	-	850,250
A E Ranson	1,025,000	-	-	1,025,000
D C Parry	5,768,455	-	3,870,145	9,638,600
N F Robertson	100,000	-	-	100,000
Other Key Management Personnel of the Group and Techniche Limited				
Ordinary shares				
L P Stanley	193,542	-	-	193,542

(c) Other transactions with key management personnel

The company secretary, Ms L P Stanley, is a partner in the firm Stanley Yeates & Associates, a firm of Chartered Accountants. Stanley Yeates & Associates has provided accounting and administration services to Techniche Limited for several years on normal commercial terms and conditions.

	2006	2005
	\$	\$
Amounts recognised as expense		
Accounting fees	59,731	31,273
Rent of office	15,000	5,000
	-----	-----
	74,731	36,273
	=====	=====

Aggregate amounts payable to key management personnel of the Group at balance date relating to the above types of other transactions:

	2006	2005
	\$	\$
Current liabilities	10,684	15,439
	=====	=====

Note 19 Remuneration of auditors

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

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Audit services				
Total fees paid to PricewaterhouseCoopers Australian firm for the audit and review of financial reports and other audit work under the Corporations Act 2001				
- for the financial year ended 30 June 2006	42,000	-	42,000	-
- for the financial year ended 30 June 2005	19,100	39,500	19,100	39,500
	-----	-----	-----	-----
	61,100	39,500	61,100	39,500
	=====	=====	=====	=====

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important

Note 20 Contingencies

The consolidated entity had no contingent liabilities at 30 June 2006.

Note 21 Commitments

The consolidated entity had no commitments at 30 June 2006.

Note 22 Related party transactions**(a) Parent entities**

The parent entity within the Group is Techniche Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 23.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 18.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
<i>Interest revenue</i>				
Associates	14,671	10,932	14,671	10,932
	=====	=====	=====	=====

During the prior financial year Techniche acquired an existing convertible note in Theta Technologies Pty Limited with a face value of \$333,333 for \$400,000. Interest was charged at the Reserve Bank Rate + 5%. The convertible note was converted on 1 December 2005 to 27 ordinary shares representing 8.33% of total equity in Theta Technologies Pty Ltd post conversion.

(e) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 23 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Class of Shares	Equity Holding	
		2006 %	2005 %
Techniche Mfg Pty Limited	Ordinary	100	100
Techniche Marketing Pty Limited	Ordinary	100	100
Techniche (R&D) Pty Limited	Ordinary	100	100
Techniche (UK) Limited	Ordinary	100	100
Techniche NZ Limited	Ordinary	100	100
Techniche China Pty Limited	Ordinary	100	100
Techniche Superannuation Nominees Pty Limited	Ordinary	100	100
Parma Pty Limited	Ordinary	100	100
Empressa Nominees Pty Limited	Ordinary	100	100
- Empressa Nominees Unit Trust			

The proportion of ownership interest in each subsidiary is equal to the proportion of voting power held.

All controlled entities are incorporated in Australia and operate predominantly within Australia.

Note 24 Deed of cross guarantee

Techniche Limited and Parma Pty Limited (formerly Techniche Pty Limited) are parties to a deed of cross guarantee, which has been lodged with and approved by the Australian Securities and Investments Commission. Under the deed of cross guarantee each company guarantees the debts of the other company.

As Parma Pty Limited is a dormant company the assets and liabilities of the above named companies as at June 30, 2006 and 2005, are equivalent to the amounts disclosed for the parent entity in the balance sheet, income statement and statement of changes in equity.

Note 25 Investments in associates**(a) Carrying amounts**

Information relating to associates is set out below:

Name of company	Principal activity	Ownership interest		Consolidated carrying amount		Parent entity carrying amount	
		2006	2005	2006	2005	2006	2005
		%	%	\$	\$	\$	\$
Theta Technologies Pty Limited	Software development	25.0	16.7	500,000	638,326	500,000	700,000

Theta Technologies Pty Limited is incorporated in Australia.

(b) Movements in carrying amounts

	Consolidated	
	2006	2005
	\$	\$
Carrying amount at the beginning of the financial year	638,326	-
Investments acquired during the financial year	400,000	700,000
Share of losses after income tax	(116,997)	(14,773)
Amortisation of intangible assets	(176,208)	(46,901)
Impairment of assets	(245,121)	-
Carrying amount at the end of the financial year	<u>500,000</u>	<u>638,326</u>

(c) Share of associates losses

Loss before income tax	(293,205)	(61,674)
Income tax expense	-	-
Loss after income tax	<u>(293,205)</u>	<u>(61,674)</u>

(d) Summarised financial information of associates

The Group's share of assets, liabilities, revenues and losses of associates are:

Assets	476,815	809,964
Liabilities	233,332	204,358
Revenues	283,466	223,390
Loss	293,205	61,674

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

Lease commitments	<u>2,279</u>	<u>13,673</u>
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Note 26 Reconciliation of loss after income tax to net cash inflow from operating activities

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Net cash inflow from operating activities	(178,644)	(555,449)	(178,644)	(555,449)
Depreciation and amortisation	(1,261)	(540)	(1,261)	(540)
Profit of investments	-	817	-	817
Share of losses of associate	(293,205)	(61,674)	-	-
Impairment of assets (note 7)	(245,121)	-	(600,000)	-
Change in operating assets and liabilities:				
Increase (decrease) in trade and other debtors	(13,293)	(5,637)	(13,293)	(5,637)
Increase (decrease) in other operating assets	2,803	(7,724)	2,803	(7,724)
Decrease (increase) in payables	(139)	(273,361)	(139)	(273,361)
Loss for the year	(728,860)	(903,568)	(790,534)	(841,894)
	=====	=====	=====	=====

Note 27 Earnings Per Share

	Consolidated	
	2006	2005
	Cents	Cents
Basic earnings per share	(1.8)	(2.2)
Diluted earnings per share	(1.8)	(2.2)
	-----	-----

Weighted average number of share used as the denominator

Weighted average number of shares used as the denominator in calculating basic earnings per share	41,110,456	41,108,018
	=====	=====

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share

	41,110,456	41,108,018
	=====	=====

	2006	2005
	\$	\$

Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Net loss for the period attributable to members	(728,860)	(903,568)
	=====	=====
Diluted earnings per share		
Earnings used in calculating diluted earnings per share	(728,860)	(903,568)
	=====	=====

Information concerning the classification of securities**(a) Partly paid shares**

Partly paid shares carry the right to participate in dividends in proportion to the amount paid relative to the total issue price, and to that extent they have been recognised as equivalents of ordinary shares in the determination of basic earnings per share.

(b) Options

Options granted to employees under Techniche Limited's Employee Option Incentive Scheme have not been included in the determination of basic earnings per share or diluted earnings per share as they are not considered dilutive in nature. Details relating to the options are set out in Note 16 (d).

Note 28 International Financial Reporting Standards (IFRS)**(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)****(a) At the date of transition to AIFRS: 1 July 2004**

	Previous AGAAP \$	Consolidated Effect of transition to AIFRS \$	AIFRS \$	Previous AGAAP \$	Parent entity Effect of transition to AIFRS \$	AIFRS \$
ASSETS						
Current assets						
Cash and cash equivalents	2,674,946	-	2,674,946	2,674,946	-	2,674,946
Receivables	1,029,737	-	1,029,737	1,029,737	-	1,029,737
Other	3,316	-	3,316	3,316	-	3,316
Total current assets	3,707,999	-	3,707,999	3,707,999	-	3,707,999
Non-current assets						
Plant and equipment	3,001	-	3,001	3,001	-	3,001
Other financial assets	100	-	100	100	-	100
Total non-current assets	3,101	-	3,101	3,101	-	3,101
Total assets	3,711,100	-	3,711,100	3,711,100	-	3,711,100
LIABILITIES						
Current liabilities						
Payables	71,723	-	71,723	71,723	-	71,723
Total current liabilities	71,723	-	71,723	71,723	-	71,723
Total liabilities	71,723	-	71,723	71,723	-	71,723
Net assets	3,639,377	-	3,639,377	3,639,377	-	3,639,377
EQUITY						
Contributed equity	61,907,170	-	61,907,170	61,907,170	-	61,907,170
Accumulated losses	(58,267,793)	-	(58,267,793)	(58,267,793)	-	(58,267,793)
Total equity	3,639,377	-	3,639,377	3,639,377	-	3,639,377

Note 28 Explanation of transition to Australian equivalents to IFRSs (continued)(b) **At the end of the last reporting period under previous AGAAP: 30 June 2005**

	Previous AGAAP \$	Consolidated Effect of transition to AIFRS \$	AIFRS \$	Previous AGAAP \$	Parent entity Effect of transition to AIFRS \$	AIFRS \$
ASSETS						
Current assets						
Cash and cash equivalents	2,020,414	-	2,020,414	2,020,414	-	2,020,414
Receivables	17,369	-	17,369	17,369	-	17,369
Other financial assets	400,000	-	400,000	400,000	-	400,000
Other	2,323	-	2,323	2,323	-	2,323
Total current assets	2,440,106	-	2,440,106	2,440,106	-	2,440,106
Non-current assets						
Plant and equipment	2,461	-	2,461	2,461	-	2,461
Investments accounted for using the equity method	638,326	-	638,326	700,000	-	700,000
Total non-current assets	640,787	-	640,787	702,461	-	702,461
Total assets	3,080,893	-	3,080,893	3,142,567	-	3,142,567
LIABILITIES						
Current liabilities						
Payables	345,084	-	345,084	345,084	-	345,084
Total current liabilities	345,084	-	345,084	345,084	-	345,084
Total liabilities	345,084	-	345,084	345,084	-	345,084
Net assets	2,735,809	-	2,735,809	2,797,483	-	2,797,483
EQUITY						
Contributed equity	61,907,170	-	61,907,170	61,907,170	-	61,907,170
Accumulated losses	(59,171,361)	-	(59,171,361)	(59,109,687)	-	(59,109,687)
Total equity	2,735,809	-	2,735,809	2,797,483	-	2,797,483

Note 28 Explanation of transition to Australian equivalents to IFRSs (continued)**(2) Reconciliation of profit for the year ended 30 June 2005**

	Previous AGAAP \$	Consolidated Effect of transition to AIFRS \$	AIFRS \$	Previous AGAAP \$	Parent entity Effect of transition to AIFRS \$	AIFRS \$
Revenue	135,127	(917)	134,210	135,127	(917)	134,210
Other income	-	817	817	-	817	817
Depreciation and amortisation expenses	(540)	-	(540)	(540)	-	(540)
Operating lease expense	(54,024)	-	(54,024)	(54,024)	-	(54,024)
Written down value of assets sold	(100)	100	-	(100)	100	-
Costs associated with assets sold	(300,000)	-	(300,000)	(300,000)	-	(300,000)
Other expenses	(622,357)	-	(622,357)	(622,357)	-	(622,357)
Share of net losses of associates accounted for using the equity method	(61,674)	-	(61,674)	-	-	-
Loss before income tax	(903,568)	-	(903,568)	(841,894)	-	(841,894)
Income tax expense	-	-	-	-	-	-
Loss for the year	(903,568)	-	(903,568)	(841,894)	-	(841,894)

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRSs has not resulted in any adjustments to the cash flow statement.

(4) Notes to the reconciliations*Revenue disclosures in relation to the sale of investments*

Under AIFRS, the net gain on the sale of investments is recognised in other income. This is in contrast to the previous treatment under Australian GAAP under which the gross proceeds from the sale were recognised as revenue and the carrying amount of the assets sold were recognised as an expense. The net impact on the profit or loss of this difference is nil.

As can be seen from the reconciliations above the adoption of AIFRS has not resulted in any other adjustments to the Balance Sheet or Income Statement.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 14 to 36 are in accordance with the *Corporation Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on page 8 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and
- (d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 24.

The directors have been given the declarations by the Chairman and the Company Secretary required by section 295A of the *Corporations Act 2001*.

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



D Parry
Director

Brisbane
13 September 2006

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Independent audit report to the members of Techniche Limited

Audit opinion

In our opinion:

1. the financial report of Techniche Limited:
 - gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Techniche Limited and the Techniche Group (defined below) as 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*; and
2. the audited remuneration disclosures that are contained on pages 8 to 9 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report, remunerations disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statements, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Techniche Limited the company and the Techniche Group (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 8 to 9 of the directors' report, as permitted by the *Corporations Regulations 2001*.

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 and the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*. 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. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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 entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*.

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.

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

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*.



PricewaterhouseCoopers



Robert Hubbard
Partner

Brisbane
21 September 2006

SHAREHOLDER INFORMATION
As at September 25, 2006

The shareholder information set out below was applicable as at 25 September 2006.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

		<u>Class of equity security</u> <u>Ordinary shares</u>
1	– 1000	989
1,001	– 5,000	1,026
5,001	– 10,000	241
10,001	– 100,000	255
100,000	and over	60
		<hr/> 2,571 <hr/>

There were 2,269 holders of less than a marketable parcel of ordinary shares at the last traded price.

B. Equity security holders

Twenty largest quoted equity securities are listed below:

The names of the twenty largest holders of quoted securities are listed below:

Name	<u>Ordinary shares</u>	
	Number held	Percentage of issued shares
Hooks Enterprises Pty Ltd	8,170,000	19.91
Douglas Cornell Parry	2,838,600	6.92
Antony Edward Ranson	1,020,000	2.49
Durbin Superannuation Pty Ltd	1,000,000	2.44
Mary Anne Baxter	900,000	2.19
Beckham Pty Ltd	700,000	1.70
Sejon No 3 Pty Limited	671,100	1.64
Zoom Zoom Pty Limited	634,970	1.55
Edward Wannop Wilson	627,083	1.53
Ralsten Pty Limited	623,468	1.52
Bruce Hampel	563,311	1.37
Craig Michael Lake and Judith May Lake	500,000	1.22
John Richard George	422,520	1.03
Gerda Macpherson	365,720	0.89
Tappak Nominees Pty Limited	350,000	0.85
Rodney Albert Hoeksema	338,710	0.83
Reyer Investments Pty Ltd	336,672	0.82
Pefomina Pty Limited	320,000	0.78
Geoffrey Clifford Morgan and Dorina Alayon Morgan	300,000	0.73
Peter De Hesse	300,000	0.73
	<hr/> 20,982,154 <hr/>	51.14 <hr/>

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Hooks Enterprises Pty Limited	8,170,000	19.91
Douglas Cornell Parry	2,838,600	6.92

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

- (a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) Options
No voting rights.