

Advent III Private Equity Limited

ACN 082 863 769

Financial Report for the Financial Year
Ended 30 June 2006

Advent III Private Equity Limited

ANNUAL FINANCIAL REPORT **FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

ANNUAL GENERAL MEETING

Shareholders are invited to attend the eighth Annual General Meeting of the Company which will be held at St John's Southgate, in the Function Room, 20 City Road, Southbank, Victoria, on Thursday 30 November 2006 at 11:30am.

Further information concerning the meeting, including the business to be dealt with, is set out in the Notice of Meeting and Proxy Form enclosed within this report.

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Advent III Private Equity Limited

CHAIRMAN'S REPORT AND REVIEW OF OPERATIONS

Dear Shareholder,

I am pleased to report on the operations of Advent III Private Equity Limited for the year to 30 June 2006 and to advise of continuing progress in the program of divestments as well as ongoing performances from remaining investees.

During the year we completed the sale of ACIL Australia Pty Ltd (1 July 2005) and the sale of the Taverner Hotel Group Pty Ltd (THG). The profit from the ACIL sale was accrued into the result for the year to 30 June 2005. Following the introduction of A-IFRS as at 1 July 2004, profit is now recognized on investments when revalued and the impact of these movements is provided in the notes to the accounts below. The sale price of THG above the carried forward valuation at 1 July 2005 has been recognized as profit in the year.

On 1 July 2005, a significant shareholder in Securepay Holdings Pty Ltd, exercised their right to convert options for debt and, as a result, Securepay became a controlled entity of the Company on that date. Securepay's results for the year ended 30 June 2006 are, therefore, included in the attached accounts for the first time.

Operating Results

The Holding Company completed the year with a Net Profit After Tax of \$2,745,934 compared with a loss of \$521,251 (AIFRS adjusted) in the year to 30 June 2005. The consolidated result is a Net Profit After Tax and minority interests of \$2,771,139 compared to a Profit of \$6,930,129 (AIFRS adjusted) for the year ended 30 June 2005. The result for the Company primarily reflects the profit on the sale of the Company's shares in the Taverner Hotel Group, with the consolidated result including the change in structure with the Company's subsidiary, Sleepmaster being sold in the 2005 reporting period and Securepay added as a subsidiary in the 2006 reporting period.

Distributions to date

To the date of this report, the Company has made the following distributions to Shareholders (in whole dollars, not thousands):

2004	Final Dividend – 4 cents per share fully franked – Paid 11/10/04	\$ 1,080,000
2005	Interim Dividend – 3 cents per share fully franked – Paid 11/10/04	\$ 810,000
2005	Return of Capital [Surplus funds] – 12 cents per share – Paid 8/12/04	\$ 3,240,000
2005	Interim Dividend – 32.4 cents per share partially franked – Paid 3/03/05	\$ 8,748,002
2005	Return of Capital [Sleepmaster] – 4.7 cents per share – Paid 4/04/05	\$ 1,269,000
2005	Interim Dividend,– 10.2 cents per share partially franked – Paid 22/07/05	\$ 2,754,001
2005	Return of capital ACIL – 8.7 cents per share – Paid 22/07/05	\$ 2,349,000
2006	Interim Dividend,– 18.8 cents per share partially franked – Paid 14/03/06	\$ 5,076,001
2006	Return of capital Taverner – 24.0 cents per share – Paid 14/03/06	<u>\$ 6,480,001</u>
	Total Distributions to Date	<u>\$31,806,005</u>

This represents an aggregate return of \$1.178 per share to date.

Sale of the Taverner Hotel Group Pty Ltd shareholding

In February 2006, the sale of the Taverner Hotel Group Pty Ltd (THG) was completed. The Company's total investment in THG was \$6.5 million, being equity and loans. Settlement provided for the repayment of all loans and share acquisitions and has resulted in achieving a gross Internal Rate of Return (IRR) of approximately 22.7% per annum and a cash on cash return of approximately 2.7 times the original investment, when interest payments on the debt and dividends are included.

Subsequent to the conclusion of the sale the Directors declared a partially franked dividend of 18.8 cents per share,. The dividend, totalling \$5,076,001, was paid to shareholders on 14 March 2006. A return of capital of \$6,480,001 relating to the Taverner divestment was paid to shareholders on 14 March 2006. This represents the return of the full amount of the proceeds net of tax, expenses, retentions and Manager's profit share.

Further small retention amounts are held relevant to the Taverner sale and are due to be paid early in 2007.

Advent Private Capital Pty Ltd (APC) valuations and judgements on behalf of managed funds Advent III Private Equity Limited (Advent III)

Advent Private Capital Pty Ltd acts as manager of Advent III. Advent III invests solely in unlisted, Australian companies with a view to assisting those companies to increase their value. APC also acts as manager and trustee of wholesale private equity funds (Advent IV and Advent V) and a publicly listed investment company (Advent Limited) all of which also invest in unlisted companies.

APC is a member of Australian Private Equity & Venture Capital Association Limited (AVCAL). AVCAL is the only industry body in the Australian Private Equity and Venture Capital markets. AVCAL provides Private Equity Valuation Guidelines for the industry and these guidelines are aligned with international industry standards.

APC has been requested by the Advent III Board to provide valuations which comply with the AVCAL Private Equity Valuation Guidelines and these have been used in the attached report.

Valuation Information

As all APC managed investees are unlisted Australian companies, there are no direct, quoted market prices available.

Fair value estimates are made at a specific point in time, based on market conditions and information about the specific financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g. interest rates, market volatility, investment stage, estimated cash flows etc) and, therefore, cannot be determined with precision. Valuations are inherently based on forward-looking estimates and judgements about the underlying business, its market and the environment in which it operates.

Estimation of values

Where investments are made within the reporting year and no significant changes have occurred in the underlying business, since acquisition, the investment is maintained at cost.

During the year, no new investments were made by the Company and only relatively small amounts of follow-on investments were made in existing investee companies.

Estimated valuations for all entities are primarily based on multiples of EBITDA, EBIT or turnover depending on the industry standard for each investee. In estimating the valuations, a range of multiples is used to determine a range of outcomes. EBITDA, EBIT or turnover are based on forward estimates of the investees performance based on past, present and future views of the investee and industry performance.

At 30 June 2006, the carrying amounts of debt and equity investments for which values were determined using these methodologies amounted to \$17,094,910.

CHAIRMAN'S REPORT AND REVIEW OF OPERATIONS (Cont.)

Asset Backing of the Company's Shares

The valuations from the manager, Advent Private Capital Pty Ltd in respect of each of the investments was considered and adopted by the Directors in resolving the 30 June 2006 valuations.

Based on the current valuation methodology and excluding consolidated assets, the net tangible asset backing of the Company's shares at 30 June 2006 was \$0.74 per share, compared with \$1.07 at 31 December 2005 and \$1.26 at 30 June 2005. As noted above, total distributions to date have represented \$1.178 per share.

Divestment Program/Portfolio Update

On 15 March 2006, the Company announced that its investee, Regency Recordings Pty Ltd, had signed an agreement for the acquisition of the balance of shares, not already held in AAV Regency Recordings Pty Ltd (AAVR) from AAV Duplication Services Pty Ltd, its joint venture partner, owned by AAV Limited. This transaction was settled on 30 June 2006.

On the same day we announced that a non-binding Letter of Intent was entered into with Entertainment Distribution Company LLC (EDC) for the sale of AAV Regency Recordings. The exclusivity period has expired with regard to the AAV/Regency transaction. The lines of communication remain open, however both parties are pursuing other more immediate opportunities. Discussions may recommence at a later date but there can be no guarantee that a transaction will occur.

The remaining investees continue to progress and continue to consider acquisitions as appropriate. Details of each investee are included in Investee Reports included in this annual report.

The Manager/Manager Incentive Payment

The Manager, Advent Private Capital Pty Ltd, continues to work on maximising the results of the investee divestment program. Its interests are directly aligned with those of our Shareholders. Apart from a management fee, the Manager is entitled to an Incentive Payment under the Management Agreement with Advent III Private Equity Limited based on the profitable sale of investees. An amount of \$633,862 (Note 2b) has been recorded in the accounts based on the amounts provided against valuation increments and paid.

Annual General Meeting

The Eighth Annual General Meeting of the Company will be held on Thursday 30 November 2006 at 11:30am at St John's Southgate, in the Function Room, 20 City Road, Southbank, Victoria.

As regards the business of the AGM, apart from the adoption of the annual financial report, Mr Harrington retires by rotation and has offered himself for re-election. The Board supports the re-election of Mr Harrington.

I have decided to retire from the board at the completion of the upcoming AGM, with the Company now managing its remaining investments and no longer actively investing in new ventures. I have enjoyed my association with Advent and wish the Fund well as it completes the "harvesting process" for its remaining investments.

On behalf of my fellow Directors and the Manager we look forward to meeting you at the AGM.



John P. Shergold
Chairman

19 October 2006

INVESTEE REPORTS

Securepay Holdings Pty Ltd

MELBOURNE, VICTORIA

Date of Investment: 29 March, 2000

Current Equity: 59.34%

Amount Invested at 30 June 2006 – at cost:

Equity	\$3,499,994
Debt	\$ 147,964
Total:	\$3,647,958

History and Nature of Business

Securepay began development of an internet bill payments service in 1999. Securepay has continued to develop its secure payment gateway, which enables businesses, organisations and customers to effect secure payments via the internet and telephone through the use of credit cards. The gateway is currently capable of processing millions of transactions per month. It has high levels of encryption technology at a level used by the banks. It is not platform or operating system dependent.

All transactions take place in real time. It is able to be accessed very cheaply and easily. At present, ten banks have access to the system.

The related Infodial business was sold during the 2003 financial year and the proceeds were used to fund the development of the company.

After its difficult early years, the Securepay business has made significant progress over the past year. This was driven by the acquisitions of Esec, Direct One and Maxi.

Current Status

Securepay completed its financial year on budget for profitability. This continues the stable, growth trend which has been underway in the business for the past two financial years.

Following the acquisition of the Maxi gateway in late 2005, Securepay completed the acquisition of the Camtech gateway in late June 2006. Camtech will add about another one million transactions a month to Securepay. It continues Securepay's drive to become the premier private gateway in the market. Securepay has a good record of integrating its acquisitions and with Maxi, for example, it has retained the customer list and fully integrated them onto its network within its planned time and budget schedule.

Securepay will retain a small Camtech office in South Australia but work to migrate the Camtech customer list to the Securepay network has already commenced. It is expected to take several months before the full contribution by Camtech to Securepay profit is achieved.

Both acquisitions were funded with debt provided by Bank of Scotland.

The final payout of \$600,000 to FDI to take out its remaining loan to Securepay was made in September 2006 and was funded largely from cash flow and partly from bank debt.

INVESTEES REPORTS (cont'd)

Securepay Holdings Pty Ltd (cont'd)

Current Status (cont'd)

We have now revalued Securepay slightly above cost, after writing it down in its early years. We are confident that Securepay will continue its growth path and reward its shareholders for their patience in the early years.

We have been pleased with the performance of Securepay management, which now have taken 15% of the equity in the business.

Regency Recordings Pty Ltd

MELBOURNE, VICTORIA

Date of Investment: 8 November 2000

Current Equity: 31.81%

Amount invested at 30 June 2006 - at cost:

Equity	\$3,999,269
Debt	Nil
Total:	\$3,999,269

History and Nature of Business

Regency is an established manufacturer and replicator of cassette and compact discs. The company acquired and installed a state of the art digital versatile disc ("DVD") replicator line with advanced glass mastering and automated offset printing. This was commissioned in April 2001. Advent III provided the equity component of a total funding package of approximately \$10 million for this facility. Subsequently 2 further DVD lines and associated automated packaging and extra printing capacity were added.

The joint venture between Regency Recordings and AAV's DVD, VHS and associated distribution logistics businesses became effective on 1 July 2003. The objective of the joint venture was to attain a size which challenged Technicolor in Australia in terms of production capacity across DVD, VHS, CD and cassette for the leadership in the industry. This has been achieved. At 30 June 2005 Advent III held an effective 15.59% interest in AAV Regency Pty Ltd. Fiona Horman, the founder of Regency Recording is the Managing Director of AAV Regency.

Current Status

In February 2006 Regency entered into a contract to purchase AAV's 51% share in the AAVR JV and this was settled on 30 June 2006. The deal was fully funded by bank debt. Regency also entered exclusive discussions with EDC, a wholly owned subsidiary of Glenayre Inc, a NASDAQ listed company for the possible sale of the business. As noted in the Chairman's report above, the lines of communication remain open, however both parties are pursuing other more immediate opportunities. Discussions may recommence at a later date but there can be no guarantee that a transaction will occur.

The financial performance was below budget for the 2006 financial year due to the winding down of VHS, reduced volumes in CD and pricing pressures for DVD in a maturing market. Nevertheless the company had an excellent profit result and is forecasting a similar result in 2006/07 year. Trading in the first quarter of the new financial year is strong and ahead of budget.

During the financial year we received \$1.75m in fully franked dividends. The Manager is assisting the company review its strategic options for growth in a changing market for optical media, including exit options for our shares.

INVESTEE REPORTS (cont'd)

Global Food Equipment Pty Ltd (previously OBS Equipment Pty Ltd)

MELBOURNE, VICTORIA

Date of Investment: 8 November 2002

Current Equity: 10.66%

Amount Invested at 30 June 2006 - at cost:

Equity	\$1,999,500
Debt	Nil
Total:	\$1,999,500

History and Nature of Business

Global Food Equipment ("Global") is a leading distributor of food equipment and service provider in the Australian bakery, meat and hospitality sectors of the food processing and retailing industries. From its origins in the early eighties as a specialist equipment repair business servicing the Sydney market, Global has expanded its operations to include importing and distributing food machinery as well as manufacturing. Whilst the main emphasis is currently on the bakery, meat and hospitality industries, the product range also includes other food machinery, packaging equipment, spare parts and bandsaw blades.

Since Advent invested in the business in a management buy-out of O.B.S. Equipment Pty Ltd in November 2002, the company has made a number of key acquisitions. It acquired the business of Curtin Global Food Equipment and integrated it into the O.B.S operations. Global also absorbed several smaller service and distribution businesses.

Current Status

Global performed poorly against the 2005-6 budget and finished the year at 15% below budgeted revenue. Only service revenue and sales to supermarkets exceeded budget while general industry sales and sales via agents were well below plan.

Gross margin was about 2 percentage points below budget. However costs also exceeded budget significantly. As a result, Global profitability fell away, particularly in the second half of the year.

In the final quarter of the financial year, the Global Board appointed a new Chief Executive, Mr David Cullen and a new Operations Manager and Chief Financial Officer have subsequently been appointed. Several management redundancies have occurred, however the previous Managing Director has remained with the business as an Executive Director.

The new management has moved to improve Global management information systems. The delays and difficulties in integrating the Curtin business systems with the OBS systems have been a significant factor in the company's performance.

In addition, stock and debtors have had significant writedowns and new systems have been installed to avoid a recurrence.

General management in the sales and service functions has also been reinforced.

The shareholders provided two rounds of funding in the final quarter including \$2.5 million of equity and \$1.5 million of shareholder loans to support the business through the transition. The loans were advanced by one shareholder with the other shareholders, including Advent III, providing pro rata guarantees, backed by rights to acquire shares in Global to the value of the guarantees.

INVESTEE REPORTS (cont'd)

Global Food Equipment Pty Ltd (previously OBS Equipment Pty Ltd) (continued)

Current Status (continued)

The new management has proposed a 2007 budget with a credible revenue target of \$75 million or some 9% above 2006. It is forecasting a gradual improvement in profit through the year but still at a below desirable level, with full recovery forecast for the following year.

Plantmark Holdings Pty Ltd

MELBOURNE, VICTORIA

Date of Investment: 4 March 2004

Current Equity: 14.15%

Amount invested at 30 June 2006 - at cost:

Equity	\$1,528,199
Debt	\$ 150,000
Total:	\$1,678,199

History and Nature of Business

Plantmark is the largest supplier of wholesale horticultural nursery produce in Australia, with four market operations covering Victoria, NSW and SA, a direct sales business and a production nursery. Customers include landscapers, councils, developers and retail nurseries. The "greenlife" produce sold by Plantmark is supplied by a large number of premium growers located in the regions surrounding the markets. The wholesale cash and carry market is named "Plantmark Select", the direct sales area is named "Plantmark Direct" and the production nursery is named "Total Plant Solutions" (TPS). Since the buyin/buyout, Plantmark has entered the revegetation and erosion control markets through an acquisition of Treemax.

The acquisition of Plantmark was structured as a management buyin/buyout with both outside and existing management investing in the business. The purchase price for the business was approximately \$15 million, with approximately \$9 million funded by debt and the remainder funded by equity and mezzanine debt contributed by management and Advent's funds.

Plantmark is expanding its operations organically and by acquisition. Over the past two years it has acquired Grocraft, Potters Tubes, Treemax, and Fertool.

Current Status

Plantmark has experienced a very busy year in the year ended 30 June 2006. Potters Tubes and Treemax were acquired in the six months to 31 December 2005 and in May 2006 Plantmark acquired Fertool. A new Select nursery was recently opened on the Gold Coast and the program to renovate all of the other markets has been completed.

INVESTEE REPORTS (cont'd)

Plantmark Holdings Pty Ltd (cont'd)

Current Status (cont'd)

Fertool is Australia's largest wholesale distributor of Allied products such as gardening tools, fertiliser, pesticides and herbicides, with revenue of approximately \$12m. Opportunities to cross sell Fertool's products to Plantmark's existing supplier and customer base are significant.

The strengthening of middle management over the past year is leading to improvements in the areas of freight, customer service, production productivity and margin management.

Plantmark continued its top line growth during the year ended 30 June 2006, with existing businesses growing revenue by approximately 10% over prior year levels to \$38m. Newly acquired businesses (Treemax, Potters Tubes, and Fertool) added another \$6m of revenue in that financial year's result.

Notwithstanding the pleasing top line growth, downward pressure on margins has been strong because of the decline in demand resulting from the drought and a downturn in construction of residential dwellings in Victoria and NSW. The implementation of a new management information system has improved margin and management's ability to manage margins and incentivise sales people on the basis of the margins they generate.

The Board of Plantmark has taken the strategic view that the present low rainfall conditions in Eastern Australia are likely to continue into the foreseeable future. Accordingly, new Select markets will only be opened in regions that are not drought affected, such as the Gold Coast. Planned openings of several markets in drought affected regions will no longer proceed. In addition, Plantmark's cost base is being reduced across the business to reflect slower organic growth.

Advent III has invested additional funds into the business over the past 12 months to assist in funding acquisitions and capital expenditure.

DIRECTORS' REPORT

The Directors of Advent III Private Equity Limited submit herewith the annual financial report for the financial year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Mr John P. Shergold, Chairman

Chairman, aged 66. Mr Shergold is a fellow of the Institute of Chartered Accountants. He is managing director of Brunlee Pty Ltd, and holds a number of Directorships including Catalyst Recruitment Systems Ltd., Barrett Property Group Pty Ltd., John Swire & Son Pty Ltd and Osborne Business Centre Pty Ltd.

Mr Brian Francis Ball

Mr Ball, 57, is Joint Managing Director of Advent Private Capital Pty Ltd. He is Managing Director of APC II Pty Ltd and Director of APC I Pty Ltd. He is also Chairman of TR Corporation Pty Ltd, Global Food Equipment Pty Ltd, Solomon Food Group Pty Ltd and Plantmark Pty Ltd. He is a Director of Advent Limited, AAV Regency Pty Ltd, Primary Health Care Limited, Serck Controls Group Pty Ltd and Securepay Holdings Pty Ltd and was a director of Australian Pacific Technology Limited and Tesa Pty Ltd during the year.

Mr Grant Ross

Company Director, aged 39. Mr Ross holds an Honours Degree in Computer Science, a Masters Degree in Applied Finance and a Masters Degree in Enterprise Innovation. He is the managing director of the SAI Group.

Mr Rupert Anthony Harrington

Mr. Harrington, 57, is Joint Managing Director of Advent Private Capital Pty Ltd. He is Managing Director of APC I Pty. Ltd. and director of APC II Pty. Ltd. He is the Chairman of Securepay Holdings Pty. Ltd. and is also a director of AAV Regency Pty. Ltd., Regency Recordings Pty. Ltd., Isis Group Holdings Pty. Ltd. and TR Corporation Pty. Ltd.

Mr Jon Schahinger

Company Director, aged 52. Mr Schahinger is Head of Private Equity for ING Investment Management Ltd and is a director of ING Private Equity Access Limited and Quickflix Limited. He is also responsible for ING's private equity portfolio and products, both domestic and international. He holds a Bachelor of Commerce degree and is a Certified Practising Accountant

Mr Jon Spensley, alternate for Mr Grant Ross

Alternative Director, aged 32. Mr Spensley holds a Bachelor of Commerce degree. He is the venture capital manager of the SAI Group and is responsible for the analysis and review of investment opportunities. Appointed as an alternate on 21 September 2005.

DIRECTORSHIPS IN OTHER LISTED COMPANIES

The directors held no other directorships in other listed companies in the 3 years immediately before the end of the financial year.

SHARES AND OPTIONS

Directors do not hold any shares in the Company and the Company has not issued options in the Company to any directors.

COMPANY SECRETARY

Roland Jacob Detlev Stadly

Mr Stadly, 52, is the Secretary and Chief Financial Officer of Advent Limited and is also a director and Company Secretary of Advent Private Capital Pty Ltd. He is also a Director of, Advent Private Capital Pty Ltd, APC I Pty Ltd and APC II Pty Ltd and was a Director of Australian Pacific Technology Limited during the year. Mr Stadly was appointed in 2005.

Advent III Private Equity Limited

DIRECTORS' REPORT (cont'd)

Colin John Newton

Mr. Newton was the Company Secretary of Advent Limited from 12 August 2004 to 19 September 2005.

Directors' Meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director:

<i>Directors</i>	<i>Board of Directors</i>	
	<i>Held</i>	<i>Attended</i>
J.P. Shergold	12	9
B.F. Ball	12	12
R.A. Harrington	12	12
G.S. Ross	12	4
J.D. Schahinger	12	12
J.M. Spensley (alternate for Mr Ross)	8	5

The Board of the Company only have responsibility for the remuneration of Board members and the Company does not employ executives or other key personnel nor does it hold control of the remuneration of key management personnel within investee companies, whether controlled entities or otherwise.

Audit matters are considered by the Board as a whole and not by a separate audit committee. All audit matters are conducted within Board meetings.

Remuneration Report

Details of key management personnel

The key management personnel of Advent III Private Equity Limited and its controlled entities during the financial year were:

Company - Advent III Private Equity Limited

J.P. Shergold (Director)
B.F. Ball (Director)
R.A. Harrington (Director)
G.S. Ross (Director)
J.D. Schahinger (Director)

Key management personnel compensation policy

The nomination and remuneration committee reviews the remuneration of all key management personnel from time to time. Remuneration packages are reviewed with due regard to performance and other relevant factors.

Compensation packages contain the following key elements: Fees and Superannuation. During the year, the remuneration committee did not sit and there were no changes in the compensation of the directors or officers of the Company in the year.

Advent III Private Equity Limited

DIRECTORS' REPORT (cont'd)

Key Management Personnel Compensation (Cont.)

Key management personnel compensation

The aggregate compensation of the key management personnel of the consolidated entity and the company is set out below:

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Short term employee benefits	77,500	90,000	77,500	90,000
Post employment benefits	19,475	8,100	19,475	8,100
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	96,975	98,100	96,975	98,100

The compensation of each member of the key management personnel of the company and consolidated entity is as follows:

Key management personnel compensation - Advent III Private Equity Limited

	2006			2005		
	Short term	Post Employment	Total	Short term	Post Employment	Total
	Salary & fees	Superannuation		Salary & fees	Superannuation	
	\$	\$	\$	\$	\$	\$
Company						
J.P. Shergold	40,000	3,600	43,600	40,000	3,600	43,600
B.F. Ball	-	-	-	-	-	-
R.A. Harrington	-	-	-	-	-	-
G.S. Ross	12,500	13,625	26,125	25,000	2,250	27,250
J.D. Schahinger	25,000	2,250	27,250	25,000	2,250	27,250
Total	77,500	19,475	96,975	90,000	8,100	98,100

There are no executives employed by the Company. The company is managed by Advent Private Capital Pty Ltd under the terms of a Management Agreement.

Principal Activities

The principal activity of the Company during the financial year was the investment of funds in private equity opportunities in Australia. During the financial year there was no significant change in the nature of these activities.

Results

The net profit of the consolidated entity for the year after income tax expense and outside equity interests was \$2,771,139 (2005: profit \$6,930,129).

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the company.

DIRECTORS' REPORT (cont'd)

Environmental Regulations

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the commonwealth or of a State or Territory

Review of Operations

A comprehensive review of the operations of the consolidated entity during the financial year and the results thereof is contained in the accompanying Chairman's Report and Review of Operations, commencing on page 3 of the Annual Report.

Auditor's Independence Declaration

The Auditor's independence declaration is included on page 16 of the financial report.

Non-Audit Services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of the non-audit services did not impair auditors' independence since, in each case, management of the concerned entity had sufficient expertise to take responsibility for all decisions made associated with these non-audit services. The concerned auditors did not assume the role of an employee or of management of the Company, and thus were not involved in auditing their own work.

Details of amounts paid or payable to the auditor for non-audit services provided during the year, by the auditor, are outlined in note 5 to the financial statements.

Subsequent Events

Mr John Shergold, the Chairman of the Company, has announced that he intends to retire from the Company at the completion of the next Annual General Meeting of the Company to be held on 30 November 2006.

There have not been any matters or circumstances that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

Share Options

In respect of the Company and the controlled entities, no options over unissued shares were granted during the financial year, and no options have been granted in the period between the end of the financial year and the date of this report.

Dividends

In respect of financial year ended 30 June 2005, an interim dividend of 10.2 cents per share, partially franked was paid to the shareholders on 22 July 2005. This had been provided for in the financial year ended 30 June 2005.

In respect of financial year 30 June 2006, an interim dividend of 18.8 cents per share, partially franked was paid to the shareholders on 14 March 2006.

DIRECTORS' REPORT (cont'd)

The Directors have not recommended further dividends in respect to the year ended 30 June 2006.

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and Company Secretary of the Company (as named above), and all Executive Officers of the Company and of any related body corporate against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



J.P. Shergold
Director
Melbourne
19 October 2006



B.F. Ball
Director

The Board of Directors
Advent III Private Equity Ltd
Level 17, HWT Tower
40 City Road
SOUTHBANK VIC 3006

19 October 2006

Dear Board Members

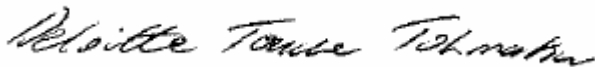
Advent III Private Equity Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Advent III Private Equity Ltd.


As lead audit partner for the audit of the financial statements of Advent III Private Equity Ltd for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



G J McLean
Partner
Chartered Accountants

Independent audit report to the members of Advent III Private Equity Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Advent III Private Equity Limited (the company) and the consolidated entity, for the financial year ended 30 June 2006 as set out on pages 19 to 68. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance 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 controls, 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 form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations, their changes in equity and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and 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.


The audit opinion expressed in this report has been formed on the above basis.

Deloitte.


Audit Opinion

In our opinion, the financial report of Advent III Private Equity Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
- (b) complying with Accounting Standards in Australia and the Corporations Regulations 2001.



DELOITTE TOUCHE TOHMATSU



G J McLean
Partner
Chartered Accountants
Melbourne, 20 October 2006

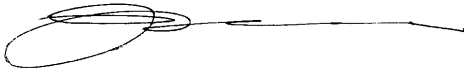
DIRECTORS' DECLARATION

The directors declare that:

- a) in the directors' opinion, 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
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



J.P. Shergold
Director
Melbourne
19 October 2006



B.F. Ball
Director

Advent III Private Equity Limited

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Company	
		2006 \$	2005 \$	2006 \$	2005 \$
Revenue from ordinary activities	2	6,424,443	4,226,476	2,329,784	5,032,076
Profit/(loss) on sale of investments	2	2,867,975	(131,194)	2,867,975	(3,358,222)
(Diminution)/Reversal in value of investments	2	(2,621,492)	(1,589,256)	(1,740,453)	(1,589,256)
Direct expenses		(1,224,155)	-	-	-
Employee benefits expense	2	(1,040,539)	-	-	-
Directors Fees		(77,500)	(90,000)	(77,500)	(90,000)
Management fees and payments	2	(1,254,862)	(951,107)	(1,254,862)	(951,107)
Depreciation and amortisation expense	2	(149,009)	-	-	-
Insurance		(166,659)	(106,042)	(85,194)	(106,042)
Finance (costs)/income	2	(227,524)	83,733	8,671	83,733
Other Taxes		742,886	(742,886)	742,886	(742,886)
Rent		(109,551)	-	-	-
Other expenses from ordinary activities		(993,028)	(256,148)	(491,027)	(256,766)
Profit/(Loss) Before Income Tax Expense	2	2,170,985	443,576	2,300,280	(1,978,470)
Income tax (expense)/ benefit	3	919,759	(356,796)	445,654	1,457,219
Profit/(Loss) from continuing operations		3,090,744	86,780	2,745,934	(521,251)
Profit/ (Loss) from discontinued operations	31	-	6,922,317	-	-
Profit/ (Loss) for the period	24	3,090,744	7,009,097	2,745,934	(521,251)
Profit attributable to minority interests		(319,605)	(78,968)	-	-
Profit/(Loss) Attributable to Members of the Parent Entity		2,771,139	6,930,129	2,745,934	(521,251)
Earnings Per Share					
- Basic (cents per share)	25	10.26	25.67		
- Diluted (cents per share)	25	10.26	25.67		
Earnings Per Share from continuing operations					
- Basic (cents per share)	25	10.26	0.32		
- Diluted (cents per share)	25	10.26	0.32		

Advent III Private Equity Limited

BALANCE SHEET

AS AT 30 JUNE 2006

	Note	Consolidated		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	30(a)	6,200,466	4,511,978	5,469,593	4,511,978
Trade and other receivables	6	1,296,739	6,859,146	760,874	6,859,146
Other financial assets	7	12,598,750	27,414,775	17,094,910	27,414,775
Other	8	305,011	-	47,886	-
Total Current Assets		20,400,966	38,785,899	23,373,263	38,785,899
Non-Current Assets					
Trade and other receivables	9	290,205	3,289,577	275,689	3,289,577
Property, plant and equipment	10	726,075	-	-	-
Goodwill	11	6,737,547	-	-	-
Other intangible assets	12	6,000	-	-	-
Deferred tax assets	13	479,460	123,867	5,355	123,867
Total Non-Current Assets		8,239,287	3,413,444	281,044	3,413,444
Total Assets		28,640,253	42,199,343	23,654,308	42,199,343
Current Liabilities					
Trade and other payables	14	1,339,629	1,226,213	27,233	1,226,213
Borrowings	15	75,507	-	-	-
Current tax payables	16	682,915	1,678,548	682,915	1,678,548
Provisions	17	2,615,354	3,731,875	2,466,485	3,731,875
Total Current Liabilities		4,713,405	6,636,636	3,176,633	6,636,636
Non-Current Liabilities					
Trade and other payables	18	99,615	-	-	-
Borrowings	19	4,204,052	-	-	-
Deferred tax liabilities	20	428,288	1,600,250	428,288	1,600,250
Provisions	21	64,837	-	-	-
Total Non-Current Liabilities		4,796,792	1,600,250	428,288	1,600,250
Total Liabilities		9,510,197	8,236,886	3,604,921	8,236,886
Net Assets		19,130,057	33,962,457	20,049,387	33,962,457
Equity					
Issued Capital	23	12,201,305	21,030,307	12,201,305	21,030,307
Retained earnings	24	6,849,400	12,932,150	7,848,082	12,932,150
		19,050,705	33,962,457	20,049,387	33,962,457
Parent entity interest		19,050,705	33,962,457	20,049,387	33,962,457
Minority interest		79,352	-	-	-
Total Equity		19,130,057	33,962,457	20,049,387	33,962,457

Advent III Private Equity Limited

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
<u>Issued Capital</u>				
Issued capital at the beginning of the period	21,030,307	25,539,308	21,030,307	25,539,308
Repayment of issued capital during the current period	(8,829,002)	(4,509,001)	(8,829,002)	(4,509,001)
Total Issued Share Capital	12,201,305	21,030,307	12,201,305	21,030,307
 <u>Retained Earnings</u>				
Retained earnings at the beginning of the period	12,932,150	15,560,022	12,932,150	23,011,402
Net profit/ (loss) attributable to members of the parent entity	2,771,139	6,930,129	2,745,934	(521,251)
Loss on gaining control of Securepay Holdings Pty Ltd recognised directly in retained earnings during the period	(1,023,887)	-	-	-
Dividends	(7,830,002)	(9,558,001)	(7,830,002)	(9,558,001)
Retained earnings at the end of the period	6,849,400	12,932,150	7,848,082	12,932,150
 Profit/ (loss) for the period	 3,090,744	 7,009,097	 2,745,934	 (521,251)
Total income/(expense) for the period	3,090,744	7,009,097	2,745,934	(521,251)
 Attributable to:				
Equity holders of the parent	2,771,139	6,930,129	2,745,934	(521,251)
Minority interests	(319,605)	(78,968)	-	-
	3,090,744	7,009,097	2,745,934	(521,251)

Advent III Private Equity Limited

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Company		
	Inflows (Outflows)		Inflows (Outflows)		
	Note	2006 \$	2005 \$	2006 \$	2005 \$
<i>Cash Flows From Operating Activities</i>					
Receipts from customers		3,642,078	18,899,057	-	-
Payments to suppliers and employees		(7,186,347)	(21,554,088)	(4,326,937)	(3,591,376)
Dividends received		2,214,451	2,362,002	2,214,451	3,167,602
Interest and bill discounts received		705,797	1,445,259	685,330	1,437,200
Interest and other costs of finance paid		(92,919)	(416,988)	(1,176)	(614)
Income tax paid		(860,542)	(631,827)	(860,542)	-
Net cash provided by/ (used in) operating activities	30(c)	(1,577,482)	103,415	(2,288,874)	1,012,812
<i>Cash Flows From Investing Activities</i>					
Payment for investment securities		(4,296,390)	(221,497)	(1,342,849)	(221,497)
Payment for property, plant and equipment		(552,536)	(169,090)	-	-
Payment for Other Non Current Assets		-	(31,699)	-	-
Amounts advanced to related parties		(235,351)	(101,060)	(235,351)	(101,060)
Proceeds from sale of property, plant and equipment		4,503	-	-	-
Proceeds from sale of Investments		17,740,003	12,994,450	17,740,003	12,994,450
Proceeds from related party receivables		3,743,691	219,122	3,743,691	219,122
Net cash provided by investing activities		16,403,920	12,690,226	19,905,494	12,891,015
<i>Cash Flows From Financing Activities</i>					
Payments of return of capital		(8,829,002)	(4,509,001)	(8,829,002)	(4,509,001)
Dividends Paid		(7,830,002)	(10,638,001)	(7,830,002)	(10,638,001)
Dividends paid to OEI		-	(201,400)	-	-
Repayment of borrowings		(1,278,214)	(1,867,026)	-	-
Proceeds from borrowings		4,251,448	4,162,768	-	-
Net cash used in financing activities		(13,685,770)	(13,052,660)	(16,659,004)	(15,147,002)
<i>Net Increase/ (Decrease) In Cash Held</i>		1,140,668	(259,019)	957,615	(1,243,175)
<i>Cash and cash equivalents at the beginning of the financial year</i>					
Cash acquired on first time consolidation of a controlled entity, Securepay Holdings Pty Ltd		4,511,978	1,943,916	4,511,978	5,755,153
Add: Overdraft upon loss of control of subsidiary		547,821	-	-	-
Effects of exchange rate changes on the balance of Cash held in foreign currencies.		-	2,875,827	-	-
<i>Cash and cash equivalents at the beginning of the financial year</i>	30(a)	6,200,466	4,511,978	5,469,593	4,511,978

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

1. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the consolidated entity.

The financial statements were authorised for issue by the directors on 19 October 2006.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with AIFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the company's and consolidated entity's financial position, financial performance and cash flows is discussed in note 35.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of the opening AIFRS balance sheet at 1 July 2004 (as disclosed in note 35), the consolidated entity's date of transition.

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) *Borrowings*

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

1. Summary of Accounting Policies (Cont.)

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(c) Employee Benefits

Provision is made for benefits arising in respect to wages and salaries, annual leave and long service leave when it is probable settlement will be required and they are capable of being measured reliably.

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

(d) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis.

(e) Receivables

Trade receivables and other receivables are recorded at amortised cost less impairment.

(f) Property, rental assets, plant and equipment

Cost and Valuation

All classes of fixed assets are measured at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of those assets. Refer to note 1(i).

Depreciation

The depreciable amounts of all fixed assets are depreciated on a straight-line/diminishing value basis over their estimated useful lives commencing from the time the asset is held ready for use.

The useful lives for each class of assets are:

Class of fixed asset	Depreciation rates
Computer equipment	20-40%
Leasehold improvements	10-20%
Furniture, fixtures & fittings	7.5-30%
Office equipment	15-40%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

1. Summary of Accounting Policies (Cont.)

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance Lease

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferable to entities within the consolidated entity are classified as finance leases. Finance leases are capitalised, recording at the inception of the lease an asset and liability equal to the present value of the minimum lease payments, and disclosed as plant and equipment under lease.

Lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Lease payments are allocated between interest expense and reduction of the lease liability. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the Income Statement.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(h) Intangibles

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition.

Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

(i) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

1. Summary of Accounting Policies (Cont.)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Taxes

Income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts within the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or liability 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. In addition, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

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

Current and deferred tax is recognised in the income statement except when it is attributable to amounts recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(k) Financial assets

Classification

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and Receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Held-to-maturity investments

Fixed term investments intended to be held to maturity are classified as held-to-maturity investments. They are measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

1. Summary of Accounting Policies (Cont.)

Financial assets at fair value through profit or loss

The consolidated entity has classified certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated as fair value, with any resultant gain or loss recognised in profit or loss. The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to the quoted market prices; and
- the fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial Liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or the amounts due to director-related entities.

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

(l) Foreign currencies

Functional and presentation currency

The financial statements of each group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date are translated using the spot rate at the end of the reporting period.

Resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

Group Companies

The financial statements of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at period end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve as a separate component of equity in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

1. Summary of Accounting Policies (Cont.)

(m) *Goods and Services Tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

The GST component of cash flows are included in the statement of cash flows on a gross basis.

The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(n) *Revenue*

Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of contract.

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(o) *Principles of Consolidation*

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 “Consolidated and Separate Financial Statements”. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The interest of minority shareholders is stated as the minority’s proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(p) *Comparatives*

In accordance with the first-time adoption of A-IFRS, comparative information has been reclassified where appropriate through retrospective application of A-IFRS to the previous year results so as to achieve consistency with current year disclosures.

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Profit/(Loss) From				
2. Operations				
<i>(a) Operating Revenue</i>				
Revenue from continuing and discontinued operations consisted of the following items:				
Revenue from the sale of goods	-	18,653,656	-	-
Revenue from the rendering of operations	3,873,464	-	-	-
	3,873,464	18,653,656	-	-
Interest revenue:				
Related entity	216,762	1,101,289	196,294	1,101,289
Other entities	383,490	431,677	383,490	431,677
	600,252	1,532,966	579,784	1,532,966
Other - dividends received	1,950,727	2,693,510	1,750,000	3,499,110
	6,424,443	22,880,132	2,329,784	5,032,076
Attributable to:				
Continuing operations	6,424,443	4,226,476	2,329,784	5,032,076
Discontinued operations (Note 31)	-	18,653,656	-	-
	6,424,443	22,880,132	2,329,784	5,032,076
<i>(b) Profit before income tax</i>				
Profit/ (loss) before income tax has been arrived at after crediting/ (charging) the following gains and losses from continuing and discontinuing operations				
Profit / (loss) on sale of investments	2,867,975	6,396,899	2,867,975	(3,358,222)
	2,867,975	6,396,899	2,867,975	(3,358,222)
Gains/ (losses) attributable to:				
Continuing operation gains/ (losses)	2,867,975	(131,194)	2,867,975	(3,358,222)
Discontinued operations gain (Note 31)	-	6,528,093	-	-
	2,867,975	6,396,899	2,867,975	(3,358,222)

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
2. Profit/(Loss) from operations (Cont.)				
Profit/ (loss) before income tax has been arrived at after charging the following expenses. The line items below combine amounts attributable to both continuing operations and discontinued operations:				
Cost of sales	(1,224,155)	(11,114,792)	-	-
Finance costs				
Interest expense - discontinued operations	-	(416,374)	-	-
Other interest expense	(1,176)	(614)	(1,176)	(614)
Change in non-interest bearing loan's fair valuation during the year - income/(expense)	(226,348)	84,347	9,847	84,347
	(227,524)	(332,641)	8,671	83,733
Management Fees and Payments:				
Fees paid to Advent Private Capital Pty Ltd	(621,000)	(621,000)	(621,000)	(621,000)
Manager's incentive (accruals)/reversals	(633,862)	(330,107)	(633,862)	(330,107)
	(1,254,862)	(951,107)	(1,254,862)	(951,107)
Increase/(diminution) in investments	(2,621,492)	(1,589,256)	(1,740,453)	(1,589,256)
Depreciation of non-current assets	(149,009)	(521,568)	-	-
Employee benefit expense	(1,040,539)	(3,305,901)	-	-
Goods & Services Tax	(162,349)	(59,977)	(162,349)	(59,977)
Net bad and doubtful debts arising from subsidiary	22,098	-	-	-

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
3. Income Tax				
(a) Income tax recognised in profit or loss				
Current tax expense/(income)	1,868,862	1,948,018	1,631,966	2,364,974
Dividend rebate	(949,050)	(1,254,803)	(949,050)	(1,254,803)
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce:				
- current tax expense	(711,001)	(290,789)	-	(290,789)
Losses attributable to deconsolidation of subsidiary	-	877,890	-	-
Effect on future income tax benefit and provision for deferred income tax due to different income tax rates applicable	-	135,038	-	135,038
Adjustments recognised in the current year in relation to the current tax of prior years	(75,120)	(18,758)	(75,120)	(18,758)
Deferred tax expense/ (income) relating to the origination and reversal of temporary differences	(1,053,450)	(821,641)	(1,053,450)	(2,392,881)
Total tax expense/(income)	(919,759)	574,955	(445,654)	(1,457,219)
Attributable to:				
Continuing operations	(919,759)	356,796	(445,654)	(1,457,219)
Discontinued operations (Note 31)	-	218,159	-	-
	(919,759)	574,955	(445,654)	(1,457,219)

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
3. Income Tax (cont'd)				
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Profit/(loss) from continuing operations	2,170,985	443,576	2,300,280	(1,978,470)
Profit/(loss) from discontinued operations	-	7,140,476	-	-
Profit from operations	2,170,985	7,584,852	2,300,280	(1,978,470)
Income tax expense (i)	634,741	1,135,425	345,042	(296,771)
				-
Capital gain on sale of investments	1,465,266	-	1,465,266	-
Non-deductible expense	337,800	461,886	330,603	2,716,139
Equity share of associate loss	-	(55,834)	-	-
Non-assessable income	(568,947)	-	(508,947)	-
Previously unrecognised deferred tax assets	(711,001)	(290,789)	-	(290,789)
Losses attributable to deconsolidation of subsidiary	-	877,890	-	-
Movement in deferred tax liabilities on changes in investment valuation	(1,053,448)	(633,328)	(1,053,448)	(2,447,343)
Write-off of deferred tax assets not likely to be recoverable in the future	-	-	-	-
Dividend rebate	(949,050)	(1,254,803)	(949,050)	(1,254,803)
Effect on future income tax benefit and provision for deferred income tax due to different income tax rates applicable	-	135,038	-	135,038
Other	-	218,228	-	68
	(844,639)	593,713	(370,534)	(1,438,461)
(Over)/under provision of income tax in the previous year	(75,120)	(18,758)	(75,120)	(18,758)
	(919,759)	574,955	(445,654)	(1,457,219)

- (i) *The Company is taxed at the tax rates applicable at either 15% or 25%, depending on the nature of the income and expenditure as the Company is in a pooled development fund structure for tax purposes. Subsidiaries are taxed at 30%.*

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
3. Income Tax (cont'd)				
(c) Deferred tax liabilities				
Deferred tax assets comprise:				
Temporary differences	479,460	123,867	5,355	123,867
Deferred tax liabilities comprise:				
Temporary differences	428,288	1,600,250	428,288	1,600,250

Taxable and deductible temporary differences arise from the following:

2006	Consolidated			
	Opening Balance	Charged to income	Acquisitions/ disposals	Closing Balance
	\$	\$	\$	\$
Gross deferred tax liabilities:				
Other financial assets net of manager's incentive	(1,584,114)	1,171,962	-	(412,152)
Other	(16,136)	-	-	(16,136)
	(1,600,250)	1,171,962	-	(428,288)
Gross deferred tax assets:				
Unrealised losses	115,729	(115,729)	371,761	371,761
Provision for doubtful debts	-	-	20,069	20,069
Provisions	8,138	(2,783)	82,275	87,630
	123,867	(118,512)	474,105	479,460
	(1,476,383)	1,053,450	474,105	51,172
Attributable to:				
Continuing operations				51,172
Discontinued operations				-
				51,172

2005	Consolidated			
	Opening Balance	Charged to income	Acquisitions/ disposals	Closing Balance
	\$	\$	\$	\$
Gross deferred tax liabilities:				
Other financial assets net of manager's incentive	(2,217,443)	633,329	-	(1,584,114)
Other	(21,717)	5,581	-	(16,136)
	(2,239,160)	638,910	-	(1,600,250)
Gross deferred tax assets:				
Unrealised losses	176,533	(60,804)	-	115,729
Provisions	260,060	29,151	(281,073)	8,138
Other	26,431	214,384	(240,815)	-
	463,024	182,731	(521,888)	123,867
	(1,776,136)	821,641	(521,888)	(1,476,383)
Attributable to:				
Continuing operations				(1,476,383)
Discontinued operations				-
				(1,476,383)

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

3. Income Tax (cont'd)

2006	Company			
	Opening Balance \$	Charged to income \$	Acquisitions/ disposals \$	Closing Balance \$
Gross deferred tax liabilities:				
Other financial assets net of manager's incentive	(1,584,114)	1,171,962	-	(412,152)
Other	(16,136)	-	-	(16,136)
	(1,600,250)	1,171,962	-	(428,288)
Gross deferred tax assets:				
Unrealised losses	115,729	(115,729)	-	-
Provisions	8,138	(2,783)	-	5,355
	123,867	(118,512)	-	5,355
	(1,476,383)	1,053,450	-	(422,933)

2005	Company			
	Opening Balance \$	Charged to income \$	Acquisitions/ disposals \$	Closing Balance \$
Gross deferred tax liabilities:				
Other financial assets net of manager's incentive	(4,031,457)	2,447,345	-	(1,584,112)
Other	(21,717)	5,579	-	(16,138)
	(4,053,174)	2,452,924	-	(1,600,250)
Gross deferred tax assets:				
Unrealised losses	176,533	(60,804)	-	115,729
Provisions	7,377	761	-	8,138
	184,910	(60,043)	-	123,867
	(3,869,264)	2,392,881	-	(1,476,383)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

4. Key Management Personnel Compensation

Details of key management personnel

The key management personnel of Advent III Private Equity Limited and its controlled entities during the financial year were:

Company – Advent III Private Equity Limited

- J.P. Shergold (Director)
- B.F Ball (Director)
- R.A Harrington (Director)
- G.S. Ross (Director)
- J.D. Schahinger (Director)

Key management personnel compensation policy

The nomination and remuneration committee reviews the remuneration of all key management personnel from time to time. Remuneration packages are reviewed with due regard to performance and other relevant factors.

Compensation packages contain the following key elements: Fees and Superannuation. During the year, the remuneration committee did not sit and there were no changes in the compensation of the directors or officers of the Company in the year.

Key management personnel compensation

The aggregate compensation of the key management personnel of the consolidated entity and the company is set out below:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Short term employee benefits	77,500	90,000	77,500	90,000
Post employment benefits	19,475	8,100	19,475	8,100
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	<u>96,975</u>	<u>98,100</u>	<u>96,975</u>	<u>98,100</u>

The compensation of each member of the key management personnel of the company and consolidated entity is as follows:

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

4. Key Management Personnel Compensation (Cont.)

4 (a) Key management personnel compensation - Advent III Private Equity Limited

	2006			2005		
	Short term	Post Employment	Total	Short term	Post Employment	Total
	Salary & fees	Superannuation		Salary & fees	Superannuation	
	\$	\$	\$	\$	\$	\$
Company						
J.P. Shergold	40,000	3,600	43,600	40,000	3,600	43,600
B.F. Ball	-	-	-	-	-	-
R.A. Harrington	-	-	-	-	-	-
G.S. Ross	12,500	13,625	26,125	25,000	2,250	27,250
J.D. Schahinger	25,000	2,250	27,250	25,000	2,250	27,250
Total	77,500	19,475	96,975	90,000	8,100	98,100

There are no executives employed by the Company. The company is managed by Advent Private Capital Pty Ltd under the terms of a Management Agreement. Refer to Note 29 (d)

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
5. Remuneration of Auditors				
<i>(a) Auditor of the Parent Entity *</i>				
Audit or review of the financial report	63,500	50,800	63,500	50,800
Taxation services	77,524	12,318	77,524	12,318
Audit - A-IFRS	78,235	-	78,235	-
	219,259	63,118	219,259	63,118
<i>(b) Other Auditors **</i>				
Auditing the financial report	28,000	42,440	-	-
Taxation services	3,625	-	-	-
Audit - A-IFRS	27,000	12,544	-	-
	58,625	54,984	-	-
	277,884	118,102	219,259	63,118

* Deloitte Touche Tohmatsu

** William Buck (auditors of Securepay Holdings Pty Ltd) - 2006 / Horwath (auditors of Sleepmaster Pty Ltd) - 2005

6. Current Trade And Other Receivables

Trade receivables	539,161	-	-	-
Allowance for doubtful debts	(66,896)	-	-	-
	472,265	-	-	-
Other debtors	822,416	6,751,543	758,816	6,751,543
Interest receivable	2,058	107,603	2,058	107,603
	1,296,739	6,859,146	760,874	6,859,146

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	<u>Consolidated</u>		<u>Company</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
7. Other Current Financial Assets				
Unquoted shares:				
In controlled entity	-	-	4,496,160	-
Other Entities – at fair value	12,598,750	27,414,775	12,598,750	27,414,775
	<u>12,598,750</u>	<u>27,414,775</u>	<u>17,094,910</u>	<u>27,414,775</u>
8. Other Current Assets				
Prepayments	176,147	-	47,886	-
Other	128,864	-	-	-
	<u>305,011</u>	<u>-</u>	<u>47,886</u>	<u>-</u>
9. Non-Current Trade And Other Receivables				
Non-trade loans receivable from:				
Related entity	<u>290,205</u>	<u>3,289,577</u>	<u>275,689</u>	<u>3,289,577</u>
	<u>290,205</u>	<u>3,289,577</u>	<u>275,689</u>	<u>3,289,577</u>

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

10. Property Plant & Equipment

	Consolidated					TOTAL \$
	Capital WIP \$	Leasehold Improvements \$	Office Equipment \$	Computer Equipment \$	Plant, Furniture, Fixtures & Fittings \$	
Gross carrying amount						
Balance at 1 July 2004	266,754	1,663,174	578,683	-	9,702,767	11,944,624
Additions	41,397	26,000	64,543	-	37,150	127,693
Disposal of Sleepmaster Pty Ltd	(308,151)	(1,689,174)	(643,226)	-	(9,739,917)	(2,332,400)
Net foreign currency differences	-	-	-	-	-	-
Balance at 30 June 2005 (i)	-	-	-	-	-	-
Acquisition of Securepay Holdings Pty Ltd (ii)	-	8,352	7,689	796,474	31,282	843,797
Additions	-	450	12,312	535,427	3,082	551,271
Disposals	-	-	-	-	-	-
Net foreign currency differences	-	-	-	-	-	-
Balance at 30 June 2006	-	8,802	20,001	1,331,901	34,364	1,395,068
Accumulated depreciation/amortisation and impairment						
Balance at 1 July 2004		(838,426)	(368,425)		(2,881,179)	(4,088,030)
Depreciation expense		(62,937)	(31,869)		(403,164)	(497,970)
Disposal of Sleepmaster Pty Ltd	-	901,363	400,294	-	3,284,343	4,586,000
Net foreign currency differences	-	-	-	-	-	-
Balance at 30 June 2005 (i)	-	-	-	-	-	-
Acquisition of Securepay Holdings Pty Ltd (ii)		(2,191)	(4,420)	(486,244)	(24,620)	(517,475)
Depreciation expense	-	(714)	(1,336)	(147,840)	(1,628)	(151,518)
Disposals	-	-	-	-	-	-
Net foreign currency differences	-	-	-	-	-	-
Balance at 30 June 2006	-	(2,905)	(5,756)	(634,084)	(26,248)	(668,993)
Net Book Value						
As at 30 June 2005	-	-	-	-	-	-
As at 30 June 2006	-	5,897	14,245	697,817	8,116	726,075

The company holds no property, plant & equipment.

(i) Due to the disposal of the investment in Sleepmaster Pty Ltd during the 2005 year, there was no Property, Plant or Equipment held by the consolidated group as at 30 June 2005.

(ii) As a result of taking control of Securepay Holdings Pty Ltd as at 1 July 2005, the consolidated group acquired Property, Plant and Equipment on that date.

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

		Consolidated		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
11. Goodwill					
<i>Gross carrying amount</i>	Note				
Balance as at 1 July 2005		-	-	-	-
Goodwill on acquisition of Securepay Holdings Pty Ltd	32	3,184,008	-	-	-
Goodwill on acquisition of Camtech	32	2,227,936	-	-	-
Goodwill on acquisition of Maxi	32	1,325,603	-	-	-
Balance at end of financial year		6,737,547	-	-	-
 <i>Accumulated impairment losses</i>					
Balance as at 1 July 2005		-	-	-	-
Impairment losses for the year		-	-	-	-
Balance at end of financial year		-	-	-	-
 <i>Net book value</i>					
At the beginning of the financial year		-	-	-	-
At the end of the financial year		6,737,547	-	-	-

Allocation of Goodwill to cash generating units

Goodwill has been allocated for impairment testing purposes to one cash generating unit being the operation of software applications to allow secure credit card payments and direct debits via the internet and telephone. The recoverable amount of the cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management of Securepay Holdings Pty Ltd covering a five year period and a discount rate of 12%. Cash flows beyond the five year period have been extrapolated using a steady 3% per annum growth rate. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

12. Other Intangible Assets

Gross carrying amount

Balance as at 1 July 2005	-	-	-	-
Other intangibles acquired	6,000	-	-	-
Balance at end of financial year	6,000	-	-	-

Net book value

At the beginning of the financial year	-	-	-	-
At the end of the financial year	6,000	-	-	-

Telephone IP costs have been capitalised at cost. This intangible asset has been assessed as having an definite life. As such, the intangible is assessed for impairment each reporting period.

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
13. Deferred Tax Assets				
Temporary differences	479,460	123,867	5,355	123,867
	479,460	123,867	5,355	123,867

14. Current Trade and Other Payables

Trade payables	103,821	1,171,264	-	1,171,264
Accrued charges & other payables	1,235,808	54,949	27,233	54,949
	1,339,629	1,226,213	27,233	1,226,213

15. Current Borrowings

Secured:

Hire Purchase Liability (i)	75,507	-	-	-
	75,507	-	-	-

(i) Secured by the assets leased, the current market value of which exceeds the value of the hire purchase liability.

16. Current Tax Payables

Income tax payable	682,915	935,662	682,915	935,662
Other tax payable	-	742,886	-	742,886
	682,915	1,678,548	682,915	1,678,548

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
17. Current Provisions				
Provision for Manager Performance Incentive	2,466,486	3,731,875	2,466,485	3,731,875
Employee benefits (Note 22)	148,868	-	-	-
Dividend Payable	-	-	-	-
	2,615,354	3,731,875	2,466,485	3,731,875

18. Non-Current Trade and Other Payables

Loans	99,615	-	-	-
	99,615	-	-	-

19. Non-Current Borrowings

Secured:

Bank Loan (i)	3,995,000	-	-	-
Hire Purchase Liability (ii)	209,052	-	-	-
	4,204,052	-	-	-

(i) *The bank loan is secured by a first ranking fixed and floating charge over all of the assets of the controlled entity and a share mortgage over shares held by the sponsors of the company, the current market value of which exceeds the value of the mortgage.*

(ii) *Secured by the assets leased, the current market value of which exceeds the value of the hire purchase liability.*

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
20. Deferred Tax Liabilities				
Deferred income tax	428,288	1,600,250	428,288	1,600,250

21. Non-Current Provisions

Employee benefits (Note 22)	64,837	-	-	-
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Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
22. Employee Benefits				
The aggregate employee benefits liability recognised and included in the financial statements is as follows:				
Provision for employee benefits:				
Current (Note 17)	148,868	-	-	-
Non-current (Note 21)	64,837	-	-	-
	213,705	-	-	-

23. Issued Capital

27,000,005 fully paid ordinary shares (2005: 27,000,005)	12,201,305	21,030,307	12,201,305	21,030,307
	2006		2005	
	No.	\$	No.	\$
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	27,000,005	21,030,307	27,000,005	25,539,308
Capital returned (i), (ii)	-	(8,829,002)	-	(4,509,001)
Balance at end of financial year	27,000,005	12,201,305	27,000,005	21,030,307

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

- (i) *During the 2006 year, a return of capital of 8.7 cents per share was made on 22 July 2005 amounting to \$2,349,001 and 24.0 cents per share was made on 14 March 2006 amounting to \$6,480,001.*
- (ii) *During the 2005 year, a return of capital of 12 cents per share was made on 8 December 2004 amounting to \$3,240,001 and 4.7 cents per share was made on 4 April 2005 amounting to \$1,269,000.*

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

24. Retained Profits

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Balance at beginning of financial year	12,932,150	15,560,022	12,932,150	23,011,402
Net profit/(loss) attributable to members of the parent entity	2,771,139	6,930,129	2,745,934	(521,251)
Loss on gaining control of Securepay Holdings Pty Ltd recognised directly in retained earnings during the period	(1,023,887)	-	-	-
Dividends Provided For/Paid	(7,830,002)	(9,558,001)	(7,830,002)	(9,558,001)
Balance at end of financial year	6,849,400	12,932,150	7,848,082	12,932,150
	2006		2005	
Dividends and Distributions	Cent per Share	Total \$	Cent per Share	Total \$
Fully Paid Ordinary Shares				
Interim dividend franked to 55.68%	10	2,754,001	3	810,000
Final dividend franked to 55.68%	19	5,076,001	32	8,748,001
	29	7,830,002	35	9,558,001
	2006		2005	
	Company		Company	
	2006		2005	
	\$		\$	
Adjusted franking account balance/(deficit) (tax paid basis)			300	59,170

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

25. Earnings Per Share

	2006	2005
	Cents per Share	Cents per Share
Basic earnings per share		
From continuing operations	10.26	0.32
From discontinued operations	0.00	25.35
Total basic earnings per share	<u>10.26</u>	<u>25.67</u>
Diluted earnings per share		
From continuing operations	10.26	0.32
From discontinued operations	0.00	25.35
Total diluted earnings per share	<u>10.26</u>	<u>25.67</u>

Basic and Diluted Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2006	2005
	\$	\$
Earnings (a)	<u>2,771,139</u>	<u>6,930,129</u>
Earnings from continuing operations	<u>2,771,139</u>	<u>86,780</u>

	2006	2005
	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>27,000,005</u>	<u>27,000,005</u>

(a) Earnings used in the calculation of total basic earnings per share and total diluted earnings per share reconciles to net profit/ (loss) in the income statement as follows:

	2006	2005
	\$	\$
Net profit/ (loss)	<u>2,771,139</u>	<u>6,930,129</u>
Earnings used in the calculation of basic EPS	2,771,139	6,930,129
Adjustments to exclude profit for the period from discontinued operations	-	(6,922,317)
Minority interest relating to discontinued operations	-	78,968
Earnings used in the calculation of basic EPS from continuing operations	<u>2,771,139</u>	<u>86,780</u>

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

26. Leases

Finance Leases

Leasing arrangements

Finance leases relate to rental equipment with lease terms of 5 years. The consolidated entity has options to purchase the equipment for a nominal value at the conclusion of the lease agreements

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$
No later than 1 year	99,140	-	-	-	75,507	-	-	-
Later than 1 year and not later than 5 years	239,762	-	-	-	209,052	-	-	-
Later than 5 years	-	-	-	-	-	-	-	-
Minimum lease payments	338,902	-	-	-	284,559	-	-	-
Less future finance charges	(54,343)	-	-	-	-	-	-	-
Present value of minimum lease payments	284,559	-	-	-	284,559	-	-	-
Included in the financial statements as:								
Current interest bearing liability (Note 15)					75,507	-	-	-
Non-current interest bearing liability (Note 19)					209,052	-	-	-
					284,559	-	-	-

27. Subsidiaries

Name of Entity	Country of Incorporation	Ownership Interest	
		2006 %	2005 %
Parent Entity			
Advent III Private Equity Limited	Australia		
Controlled Entities			
Securepay Holdings Pty Ltd (i) (ii)	Australia	58.54	59.34
Securepay Pty Ltd (i)	Australia	58.54	59.34
Fraud Guard Pty Ltd (i)	Australia	58.54	59.34
Direct One Payment Solutions Pty Ltd (i)	Australia	58.54	59.34

(i) Not audited by Deloitte Touche Tohmatsu.

(ii) Until 30 June 2005, Advent III Private Equity Limited was party to a Shareholder Agreement in respect of Securepay Holdings Pty Ltd. Under the terms of the agreement Advent III Private Equity Limited is not able to dominate decision making with regard to financial and operating policies of Securepay Holdings Pty Ltd. Accordingly, the investment was not consolidated in the prior year. As of 1 July 2005, the investment is consolidated as Advent III Private Equity Limited gained control over Securepay Holdings Pty Ltd.

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

28. Segment Information

Information on Business Segments (primary reporting format)

Segment Revenues

	External Sales		Inter-Segment		Other		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$
Development capital	-	-	-	805,600	2,329,785	4,226,476	2,329,785	5,032,076
Bedding products	-	18,653,656	-	-	-	-	-	18,653,656
Secure internet transactions	3,873,464	-	-	-	221,194	-	4,094,658	-
Total of all Segments							6,424,443	23,685,732
Eliminations							-	(805,600)
Consolidated							6,424,443	22,880,132

Segment Results

	2006	2005
	\$	\$
Continuing operations		
Development capital	2,300,280	443,576
Secure internet transactions	965,664	-
Total of all Segments	3,265,944	443,576
Unallocated		
Eliminations	(1,094,959)	-
Profit/(loss) before income tax expense	2,170,985	443,576
Income tax (Expense)/ Benefit	919,759	(356,796)
Profit/(loss) for the year from continuing operations	3,090,744	86,780
Discontinued operations		
Development capital	-	-
Bedding Products	-	7,140,476
Total of all Segments	-	7,140,476
Unallocated	-	-
Eliminations	-	-
Profit from discontinued operations before income tax expense	-	7,140,476
Income tax (Expense)/ Benefit	-	(218,159)
Profit/(loss) for the year from discontinued operations	-	6,922,317
Profit/(loss) for the year	3,090,744	7,009,097

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

28. Segment Information (Cont.)

Segment Assets & Liabilities

	Assets		Liabilities	
	2006	2005	2006	2005
	\$	\$	\$	\$
Development capital	23,654,308	42,199,343	3,604,925	8,236,886
Secure internet transactions	11,170,513	-	6,053,239	-
Bedding products	-	-	-	-
Total of all segments	34,824,821	42,199,343	9,658,164	8,236,886
Eliminations	(6,184,568)	-	(147,967)	-
Unallocated	-	-	-	-
Consolidated	28,640,253	42,199,343	9,510,197	8,236,886

Other Segment Information

	Development Capital		Bedding Products		Secure internet transactions	
	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$
Acquisition of segment assets	-	-	-	169,090	5,525,536	-
Depreciation and amortisation of segment assets	-	-	-	521,568	149,009	-

Products and Services within Each Business Segment

For management purposes, the consolidated entity is organised into two major operating divisions: development capital, secure card transactions and bedding products. These divisions are the basis on which the consolidated entity reports its primary segment information. The principal products and services of each of these divisions are as follows:

Development Capital - The investment of funds in development capital opportunities in Australia.

Bedding Products – The manufacture and distribution of bedding.

Secure Card Transactions - Software applications to allow secure credit card payments and direct debits via internet and telephone.

Information on Geographical Segments (secondary reporting format)

The consolidated entity operates predominantly within Australia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

29. Related Party Disclosures

(a) *Equity Interests In Related Parties*

Equity Interests in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 27 to the financial statements.

Loans to Controlled Entities

Details of loans to controlled entities and interest income are disclosed in Notes 2 and 9 to the Financial Statements.

(b) *Key management personnel compensation*

Details of key management personnel compensation are disclosed in Note 4 to the financial statements. No member of key management personnel has an equity interest in Advent III Private Equity Limited.

(c) *Controlling Entities*

The parent, and ultimate parent entity, is Advent III Private Equity Limited.

(d) *Advent Private Capital Pty Ltd (APC) - formerly Advent Management Group Ltd ("The Manager")*

Advent III Private Equity Limited ("the Company") has a management agreement with APC under which APC manages the investments made by the Company, provides administrative services and acts on behalf of the Company under directions of the Board of Directors of the Company. Management services include providing the Company with access to the managerial pool of APC. However, no specific remuneration for acting as Director of the Company is being paid by APC to any of its employees. The amount provided for the manager performance incentive at 30 June 2006 is \$2,466,486 (2005: \$3,731,875).

Consolidated		Company	
2006	2005	2006	2005
\$	\$	\$	\$

30. Notes To The Cash flow Statement

(a) *Reconciliation of Cash*

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash	6,200,466	4,511,978	5,469,593	4,511,978
Bank overdraft	-	-	-	-
	6,200,466	4,511,978	5,469,593	4,511,978

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
30. Notes To The Cash flow Statement (Cont.)				
<i>(b) Financing Facilities</i>				
Secured bank loan and hire purchase facilities, reviewed annually				
• amount used	4,279,559	-	-	-
• amount unused	300,000	-	-	-
	4,579,559	-	-	-
<i>(c) Reconciliation of Profit/(Loss) After Related Income Tax to Net Cash Flows From Operating Activities</i>				
Profit/ (loss) after related income tax	3,090,744	7,009,097	2,745,934	(521,251)
(Profit)/loss on disposal of investments	(2,867,975)	(6,396,899)	(2,867,975)	3,358,219
Diminution/(reversal) in investment	2,621,492	1,589,256	1,740,453	1,589,256
Depreciation and amortisation of non-current assets	149,009	521,568	-	-
Other non-cash items	-	281	-	-
(Profit)/loss on sale of property, plant and equipment	(728)	-	-	-
Bad and doubtful debts	22,098	-	-	-
Debt forgiveness	(200,000)	-	-	-
Increase/(decrease) in income tax payable	(252,747)	610,665	(252,747)	935,662
Increase/(decrease) in tax balances	(1,527,553)	(644,641)	(1,053,448)	(2,392,880)
(Increase)/decrease in assets:				
current receivables	659,139	(162,964)	663,900	(416,424)
current inventories	-	1,367,429	-	-
other current assets	(47,886)	81,289	(47,886)	81,290
other financial assets	-	(37,845)	-	(95,767)
Increase/(decrease) in liabilities:				
current trade payables	(2,489,008)	(481,977)	(2,464,372)	1,921,184
other payables	117,179	-	-	-
Provisions	(665,134)	(3,267,497)	(742,886)	(3,362,131)
A-IFRS fair value loan discount write-back	(186,112)	(84,347)	(9,847)	(84,347)
Net cash from operating activities	(1,577,482)	103,415	(2,288,874)	1,012,812

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

31. Discontinued Operations

Disposal of the Bedding Products business

During the year ended 30 June 2005, the Board of Directors sold the consolidated entity's Bedding Products business.

The results of the discontinued operations which have been included in the income statement are as follows:

	Consolidated	
	2006	2005
	\$	\$
Profit from discontinued operations:		
Revenue	-	18,653,656
	-	18,653,656
Expenses	-	(18,041,273)
Profit before income tax expense	-	612,383
Attributable income tax expense	-	(218,159)
	-	394,224
Gain/ (loss) on disposal of operation	-	6,528,093
	-	6,528,093
Attributable income tax expense	-	-
	-	6,528,093
Profit from discontinued operation	-	6,922,317
Cash flows from discontinued operations		
Net cash flows from operating activities	-	(103,797)
Net cash flows from investing activities	-	(200,789)
Net cash flows from financing activities	-	1,288,742
Net cash flows	-	984,156

32. Changes in the composition of the consolidated entity

Name of businesses acquired	Principal activity	Date of acquisition	Cost of acquisition
30 June 2006			\$
Securepay Holdings Pty Ltd	Secure Internet Transactions	1 July 2005	-
Maxi	Secure Internet Transactions	8 Sept 2005	1,325,603
Camtech	Secure Internet Transactions	23 June 2006	2,321,869
			3,647,472
30 June 2005			
Nil			

Effective 1 July 2005 the Company obtained control of Securepay Holdings Pty Ltd (Securepay Holdings) following the exit of the previous controlling shareholder and subsequent termination of a shareholder agreement that Advent III Private Equity Limited was party to that restricted Advent III Private Equity Limited's ability to control the financial and operating policies of Securepay Holdings Pty Ltd although it owned in excess of 50% of the ordinary shares of Securepay Holdings. The Company has accounted for the gaining of control of Securepay Holdings as a business combination achieved in stages and has, therefore, determined goodwill arising on the business combination through comparison of the cost of each partial acquisition with the fair value of the net assets acquired at the date of each partial acquisition.

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

The directors have assessed the fair value of the identifiable assets and liabilities acquired, and the goodwill arising on acquisition as follows:

32. Changes in the composition of the consolidated entity (Cont.)

Securepay Holdings Pty Ltd			
Net assets acquired	Book value (i)	Fair value adjustment	Fair value on acquisition (ii)
	\$	\$	\$
Current assets			
Cash and cash equivalents	547,821	-	547,821
Trade and other receivables	231,309	-	231,309
Other current assets	103,135	-	103,135
Non current assets			
Property, rental assets, plant and equipment	326,322	-	326,322
Goodwill	4,270,896	(4,270,896)	-
Current liabilities			
Trade and other payables	(320,464)	-	(320,464)
Borrowings	(26,287)	-	(26,287)
Unearned income	(189,871)	-	(189,871)
Provisions	(104,182)	-	(104,182)
Non current liabilities			
Non current payables	(2,134,999)	-	(2,134,999)
Borrowings	(80,039)	-	(80,039)
Provisions	(31,265)	-	(31,265)
Net assets of acquiree	2,592,376	(4,270,896)	(1,678,520)
Share of Fair value of assets obtained upon control (59.34%)			(996,034)
Goodwill on acquisition at previous dates of exchange			3,184,008
Share of losses of Securepay Holdings Pty Ltd previously recognised by Advent III Private Equity Limited arising from original investment			288,139
Loss on gaining control recognised directly in retained earnings on consolidation			1,023,887
Total Consideration			3,500,000
Purchase consideration occurring in prior periods			(3,500,000)
Consideration for the period ended 30 June 2006			-

(i) Representative of the book value of assets within Securepay Holdings Pty Ltd upon date of control.

(ii) Represents the provisional fair value of assets within Securepay Holdings Pty Ltd, as assessed by the directors of Advent III Private Equity Limited.

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32. Changes in the composition of the consolidated entity (Cont.)

Acquisitions by Securepay Pty Ltd

Business acquisition of “Maxi”

On 8th September 2005, Securepay Pty Ltd acquired the assets and business of Maxi, being an on-line billing and payment system from NEC Business Solutions Ltd.

The total cost of the business combination was \$1,325,603 and comprised of costs directly attributable to the combination.

The fair value of the identifiable assets of the business as at the date of acquisition are disclosed within the table below.

Business acquisition of “Camtech”

On 23rd June 2006, Securepay Pty Ltd acquired the assets and business of Camtech, being an on-line billing and payment system from Keycorp.

The total cost of the business combination was \$2,321,869 and comprised of costs directly attributable to the combination.

The fair value of the identifiable assets of the business as at the date of acquisition are disclosed within the table below.

	Maxi			Camtech			Total fair value on acquisition
	Book Value	Fair value adjustment	Fair value on acquisition	Book Value	Fair value adjustment	Fair value on acquisition	
	\$	\$	\$	\$	\$	\$	\$
Net assets acquired							
Non-current assets							
Plant and Equipment	-	-	-	168,000	-	168,000	168,000
Prepayments	-	-	-	4,136	-	4,136	4,136
Unearned tax asset	-	-	-	9,496	-	9,496	9,496
	-	-	-	181,632	-	181,632	181,632
Current liabilities:							
Employee benefits	-	-	-	31,656	-	31,656	31,656
Deferred income	-	-	-	56,043	-	56,043	56,043
	-	-	-	87,699	-	87,699	87,699
Fair value of identifiable net assets	-	-	-	93,933	-	93,933	93,933
Goodwill arising on acquisition			1,325,603			2,227,936	3,553,539
Total cost of the acquisition			1,325,603			2,321,869	3,647,472

It is impracticable to disclose the revenue and net profit generated from these acquisitions as the information is not ascertainable following their integration into the existing business.

Advent III Private Equity Limited

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

33. Financial Instruments

(a) *Financial Risk Management Objectives*

The Group's principal financial instruments, other than derivatives, comprise bank loans, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The policies for managing each of these risks are summarised below.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's policies approved by the board of directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed on a continuous basis.

(a) *Significant Accounting Policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) *Interest Rate Risk*

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long term debt obligations. The consolidated entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

The following table details the consolidated entity's exposure to interest rate risk as at the 30 June 2006:

	Average Interest Rate %	Variable Interest Rate \$	Fixed Interest Rate Maturity			Non-Interest Bearing \$	Total \$
			Less than 1 Year \$	1 to 5 Years \$	More than 5 Years \$		
2006							
Financial Assets							
Cash	5.55	1,089,679	5,110,000	-	-	787	6,200,466
Trade and other receivables	-	-	-	-	-	1,233,139	1,233,139
Non-Trade loans	5.09	-	150,000	-	-	203,805	353,805
Shares and options	-	-	-	-	-	12,598,750	12,598,750
Other	-	-	-	-	-	305,011	305,011
		1,089,679	5,260,000	-	-	14,341,492	20,691,171
Financial Liabilities							
Trade and other Payables	-	-	-	-	-	1,339,629	1,339,629
Borrowings	7.13	-	-	3,995,000	-	-	3,995,000
Finance Lease	8.9	-	75,507	209,052	-	-	284,559
		-	75,507	4,204,052	-	1,339,629	5,619,188

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

33. Financial Instruments

The following table details the consolidated entity's exposure to interest rate risk as at the 30 June 2005:

2005	Average Interest Rate %	Variable Interest Rate \$	Fixed Interest Rate Maturity			Non- Interest Bearing \$	Total \$
			Less than 1 Year \$	1 to 5 Years \$	More than 5 Years \$		
<i>Financial Assets</i>							
Cash	5.15	41,978	4,470,000	-	-	-	4,511,978
Trade and other receivables	-	-	-	-	-	6,859,146	6,859,146
Non-Trade loans	11.66	-	-	3,289,577	-	-	3,289,577
Shares and options	-	-	-	-	-	27,414,774	27,414,774
Other	-	-	-	-	-	-	-
		41,978	4,470,000	3,289,577	-	34,273,920	42,075,475
<i>Financial Liabilities</i>							
Trade and other payables	-	-	-	-	-	1,226,213	1,226,213
		-	-	-	-	1,226,213	1,226,213

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

33. Financial Instruments (Cont.)

(c) *Credit Risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually. The consolidated entity measures credit risk on a fair value basis. The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Except as detailed below, the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed below and in Note 1 to the financial statements.

The net fair value of investments detailed in the following table is determined as follows:

The bases of valuations that are used to determine the expected net cash flows from the investments is outlined below:

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values. The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- The fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.
Transaction costs are included in the determination of net fair value.

The following table details the net fair value of investments:

	Consolidated Carrying Amount		Fair Value	
	2006	2005	2006	2005
	\$	\$	\$	\$
Unquoted investments	12,598,750	27,414,775	12,598,750	27,414,775
Loans	290,205	3,289,577	290,205	3,289,577
	12,888,955	30,704,352	12,888,955	30,704,352

In accordance with the Company's accounting policy for investments, unquoted investments are carried at net fair values (Note 1).

As at 30 June 2006, assuming that all investments were sold concurrently, the Manager's performance incentive attributable to the Fair Values as disclosed above was \$2,466,486 (2005: \$3,731,875).

34. Subsequent Events

Mr John Shergold, the Chairman of the Company, has announced that he intends to retire from the Company at the completion of the next Annual General Meeting of the Company to be held on 30 November 2006.

There have not been any matters or circumstances that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

35. Adopting Australian Equivalents to International Financial Reporting Standards

Financial Reporting Standards

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 July 2005.

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Effect of A-IFRS on the balance sheet as at 1 July 2004

	Note	Consolidated			Company		
		Superseded policies*	Effects of transition to A-IFRS	A-IFRS	Superseded policies*	Effects of transition to A-IFRS	A-IFRS
		\$	\$	\$	\$	\$	\$
Current assets							
Cash and cash equivalents		5,832,996	-	5,832,996	5,755,153	-	5,755,153
Trade and other receivables		5,560,200	-	5,560,200	141,931	-	141,931
Inventories		10,074,021	-	10,074,021	-	-	-
Other current financial assets	(b)	264,524	34,258,438	34,522,962	93,124	50,258,438	50,351,562
Total current assets		21,731,741	34,258,438	55,990,180	5,990,208	50,258,438	56,248,646
Non-current assets							
Investments accounted for using the equity method	(d)	911,149	(911,149)	-	-	-	-
Non current trade and other receivables	(b)	4,509,716	(116,469)	4,393,247	4,509,716	(116,469)	4,393,247
Property, plant and equipment		8,123,348	-	8,123,348	-	-	-
Other non-current financial assets	(b)	11,508,042	(11,508,042)	-	15,108,042	(15,108,042)	-
Intangibles		944,531	-	944,531	-	-	-
Deferred tax assets		463,024	-	463,024	183,910	-	183,910
Total non-current assets		26,459,810	(12,535,660)	13,924,150	19,801,668	(15,224,511)	4,577,157
Total assets		48,191,551	21,722,778	69,914,331	25,791,876	35,033,927	60,825,803
Current liabilities							
Trade and other payables		10,389,009	-	10,389,009	47,913	-	47,913
Borrowings		4,032,454	-	4,032,454	-	-	-
Current tax payables		324,997	-	324,997	-	-	-
Provisions	(c)	1,399,235	7,094,006	8,493,241	1,080,000	7,094,006	8,174,006
Total current liabilities		16,145,695	7,094,006	23,239,701	1,127,913	7,094,006	8,221,919
Non-current liabilities							
Borrowings		1,097,235	-	1,097,235	-	-	-
Deferred tax liabilities	(a)	21,717	2,217,443	2,239,160	21,717	4,031,457	4,053,174
Provisions		523,042	-	523,042	-	-	-
Total non-current liabilities		1,641,994	2,217,443	3,859,437	21,717	4,031,457	4,053,174
Total liabilities		17,787,689	9,311,449	27,099,138	1,149,630	11,125,463	12,275,093
Net assets		30,403,862	12,411,329	42,815,193	24,642,246	23,908,464	48,550,710
Equity							
Issued capital		25,539,308	-	25,539,308	25,539,308	-	25,539,308
Reserves		(12,035)	-	(12,035)	-	-	-
Retained earnings	(e)	3,148,691	12,411,331	15,560,022	(897,062)	23,908,464	23,011,402
Parent entity interest		28,675,964	12,411,331	41,087,295	24,642,246	23,908,464	48,550,710
Minority interests		1,727,898	-	1,727,898	-	-	-
Total equity		30,403,862	12,411,331	42,815,193	24,642,246	23,908,464	48,550,710

* Reported under superseded Australian GAAP

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

35. Adopting Australian Equivalents to International Financial Reporting Standards (Cont.)

Effect of A-IFRS on the balance sheet as at 30 June 2005

	Note	Consolidated 30 June 2005			Company 30 June 2005		
		Superseded policies*	Effects of transition to A-IFRS	A-IFRS	Superseded policies*	Effects of transition to A-IFRS	A-IFRS
		\$	\$	\$	\$	\$	\$
Current assets							
Cash and cash equivalents		4,511,978	-	4,511,978	4,511,978	-	4,511,978
Trade receivables		6,751,543	107,603	6,859,146	6,751,543	107,603	6,859,146
Inventories							
Other current financial assets	(b)	107,603	27,307,172	27,414,775	107,603	27,307,172	27,414,775
Total current assets		11,371,124	27,414,775	38,785,899	11,371,124	27,414,775	38,785,899
Non-current assets							
Investments accounted for using the equity method	(d)	1,283,370	(1,283,370)	-	-	-	-
Non current trade and other receivables	(b)	3,321,699	(32,122)	3,289,577	3,321,699	(32,122)	3,289,577
Property, plant and equipment		-	-	-	-	-	-
Other non-current financial assets	(b)	19,083,664	(19,083,664)	-	22,098,785	(22,098,785)	-
Deferred tax assets		123,867	-	123,867	123,867	-	123,867
Total non-current assets		23,812,600	(20,399,156)	3,413,444	25,544,351	(22,130,907)	3,413,444
Total assets		35,183,724	7,015,619	42,199,343	36,915,475	5,283,868	42,199,343
Current liabilities							
Trade and other payables		1,226,213	-	1,226,213	1,226,213	-	1,226,213
Current tax payables		1,678,548	-	1,678,548	1,678,548	-	1,678,548
Provisions	(c)	-	3,731,875	3,731,875	-	3,731,875	3,731,875
Total current liabilities		2,904,761	3,731,875	6,636,636	2,904,761	3,731,875	6,636,636
Non-current liabilities							
Deferred tax liabilities	(a)	16,136	1,584,114	1,600,250	16,136	1,584,114	1,600,250
Total non-current liabilities		16,136	1,584,114	1,600,250	16,136	1,584,114	1,600,250
Total liabilities		2,920,897	5,315,989	8,236,886	2,920,897	5,315,989	8,236,886
Net assets		32,262,827	1,699,630	33,962,457	33,994,578	(32,121)	33,962,457
Equity							
Issued capital		21,030,307	-	21,030,307	21,030,307	-	21,030,307
Reserves		8,977,753	(8,977,753)	-	8,977,753	(8,977,753)	-
Retained earnings	(e)	2,254,767	10,677,383	12,932,150	3,986,518	8,945,632	12,932,150
Parent entity interest		32,262,827	1,699,630	33,962,457	33,994,578	(32,121)	33,962,457
Minority interest		-	-	-	-	-	-
Total equity		32,262,827	1,699,630	33,962,457	33,994,578	(32,121)	33,962,457

* Reported under superseded Australian GAAP

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

35. Adopting Australian Equivalents to International Financial Reporting Standards (Cont.)

Effect of A-IFRS on the consolidated income statement for the financial year ended 30 June 2005

	Note	Consolidated				Continuing Operations \$
		Superseded policies*	Effects of transition to A-IFRS	A-IFRS	Discontinued Operations	
		\$	\$	\$	\$	
Revenue		22,880,132	-	22,880,132	18,653,656	4,226,476
Profit/loss on sale of investments		18,117,683	(11,720,784)	6,396,899	6,528,093	(131,194)
Cost of sale of investments		(10,250,331)	10,250,331	-	-	-
Share of net gain/(loss) of associate accounted for using the equity method	(d)	(721,072)	721,072	-	-	-
Acquisition/(disposal) of shares in associate for nil consideration		1,093,293	(1,093,293)	-	-	-
Diminution in value of investments in the current year	(b)	-	(1,589,256)	(1,589,256)	-	(1,589,256)
Changes in inventories of finished goods and work in progress		(1,045,614)	-	(1,045,614)	(1,045,614)	-
Raw materials and consumables used		(10,069,178)	-	(10,069,178)	(10,069,178)	-
Employee benefit expense		(3,305,901)	-	(3,305,901)	(3,305,901)	-
Directors fees		(90,000)	-	(90,000)	-	(90,000)
Management fees and payments	(c)	(4,313,238)	3,362,131	(951,107)	-	(951,107)
Depreciation and amortisation expense		(521,568)	-	(521,568)	(521,568)	-
Insurance		(106,042)	-	(106,042)	-	(106,042)
Finance Costs	(b)	(416,988)	84,347	(332,641)	(416,374)	83,733
Freight and cartage expense		(750,885)	-	(750,885)	(750,885)	-
Advertising		-	-	-	-	-
Rent		(390,781)	-	(390,781)	(390,781)	-
Other taxes		(742,886)	-	(742,886)	-	(742,886)
Other expenses from ordinary activities		(1,797,120)	-	(1,797,120)	(1,540,972)	(256,148)
Profit before income tax expense		7,569,504	14,548	7,584,052	7,140,476	443,576
Income tax expense	(a)	(1,208,283)	633,328	(574,955)	(218,159)	(356,796)
Profit from continuing operations		6,361,221	647,876	7,009,097	6,922,317	86,780
Profit/ (loss) from discontinued operations		-	-	-	(6,922,317)	6,922,317
Profit/ (loss) for the period		6,361,221	647,876	7,009,097	-	7,009,097
Profit attributable to minority interests		(78,968)	-	(78,968)	-	(78,968)
Net profit attributable to members of the Parent entity		6,282,253	647,876	6,930,129	-	6,930,129

Advent III Private Equity Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

35. Adopting Australian Equivalents to International Financial Reporting Standards (Cont.)

Effect of A-IFRS on the company income statement for the financial year ended 30 June 2005

	Note	Company		
		Superseded policies*	Effects of transition to A-IFRS	A-IFRS
		\$	\$	\$
Revenue		5,032,076	-	5,032,076
Profit/loss on sale of investments		18,117,683	(21,475,905)	(3,358,222)
Cost of sale of investments		(5,285,452)	5,285,452	-
Share of net gain/(loss) of associate accounted for using the equity method		-	-	-
Acquisition/(disposal) of shares in associate for nil consideration		-	-	-
Diminution in value of investments in the current year		695,120	(2,284,376)	(1,589,256)
Changes in inventories of finished goods and work in progress		-	-	-
Raw materials and consumables used		-	-	-
Employee benefit expense		-	-	-
Directors fees		(90,000)	-	(90,000)
Management fees and payments		(4,313,238)	3,362,131	(951,107)
Depreciation and amortisation expense		-	-	-
Insurance		(106,042)	-	(106,042)
Finance Costs		(614)	84,347	83,733
Freight and cartage expense		-	-	-
Advertising		-	-	-
Rent		-	-	-
Other taxes		(742,886)	-	(742,886)
Other expenses from ordinary activities		(256,766)	-	(256,766)
Profit before income tax expense		13,049,881	(15,028,351)	(1,978,470)
Income tax expense		(990,124)	2,447,343	1,457,219
Profit from continuing operations		12,059,757	(12,581,008)	(521,251)
Profit/ (loss) from discontinued operations		-	-	-
Profit/ (loss) for the period		12,059,757	(12,581,008)	(521,251)
Profit attributable to minority interests		-	-	-
Net profit attributable to members of the Parent entity		12,059,757	(12,581,008)	(521,251)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

35. Adopting Australian Equivalents to International Financial Reporting Standards (Cont.)

Notes to the reconciliations of income and equity

(a) Income tax

Under superseded policies, the consolidated entity adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under A-IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

The effect of the above adjustments on the deferred tax balances are as follows:

	Consolidated		Company	
	1-Jul-04	30-Jun-05	1-Jul-04	30-Jun-05
	\$	\$	\$	\$
Deferred tax liability not recognised under superseded GAAP	(2,217,443)	(1,584,114)	(4,031,457)	(1,584,114)
	(2,217,443)	(1,584,114)	(4,031,457)	(1,584,114)

(b) Financial Instruments

Under A-GAAP, non-current investments were recorded at fair value, with the movement in fair value recognised against an Asset Revaluation Reserve (ARR). The value of investments and the corresponding credit to ARR has been netted off with deferred tax liability and CPP provision. On transition to A-IFRS, investments have been grossed up with deferred tax liability and CPP provision and the liabilities for the same has been disclosed separately as detailed in (a) and (c). The ARR has been reversed to retained earnings following the election to recognise movements in fair value through profit or loss account on transition to A-IFRS. Under A-IFRS the consolidated entity has classified investments as financial assets at fair value through profit or loss. Financial assets are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Non-interest bearing loans are required to be discounted to present value, the impact of which was to decrease the receivables of the company as on 1 July 2004. The effect was recognition of an impairment in loan balances, which reversed partially during the year and correspondingly impacted the profit and loss. Under superseded accounting policies all non-interest bearing loans were held at nominal value.

(c) Recognition of Manager's Continuing Performance Payment (CPP)

Provision is required to be made for CPP following fair valuation adjustments listed in (b) above. This has resulted in recognition of CPP provision at 1 July 2004.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

35. Adopting Australian Equivalents to International Financial Reporting Standards (Cont.)

(d) Accounting for associates at fair value in the consolidated entity

The consolidated entity recognised movements in associate profits and reserves via equity accounting under superseded A-GAAP policies. Under A-IFRS, the company has elected to account for investments in associates at fair value through profit or loss in accordance with the treatment of financial instruments as detailed in (b) above.

(e) Retained earnings

The effect of the above adjustments on retained earnings is as follows:

	Consolidated		Company	
	1-Jul-04	30-Jun-05	1-Jul-04	30-Jun-05
	\$	\$	\$	\$
Deferred tax liability not recognised under superseded GAAP	(2,217,443)	(1,584,114)	(4,031,457)	(1,584,114)
Financial instruments through profit or loss	20,430,396	5,315,989	35,150,396	5,315,989
Reversal of previous revaluation reserves under A-GAAP relating to fair value of financial instruments	-	8,977,753	-	8,977,753
Discounting of non-interest bearing loans	(116,469)	(32,121)	(116,469)	(32,121)
Recognition of Manager's continuing performance payment	(7,094,006)	(3,731,875)	(7,094,006)	(3,731,875)
Accounting for associates at fair value through profit or loss	1,408,853	1,731,751	-	-
	12,411,331	10,677,383	23,908,464	8,945,632

(f) Discontinued operations

The consolidated entity previously disclosed revenue and expenditure from the trading of discontinued operations within the income statement. In addition, under superseded policies, the consolidated entity recognised the gain or loss on disposal of investments on a gross basis by recognising the proceeds from sale as revenue, and the carrying amount of the investment disposed as an expense. Under A-IFRS, a single amount has been disclosed on the face of the income statement comprising the post-tax profit of the discontinued operation and the post tax gain on the disposal of the asset.

36. Additional Company Information

Advent III Private Equity Limited is incorporated and operating in Australia.

Registered Office

Level 17, HWT Tower
40 City Road
Southbank Victoria 3006

Principal Place of Business

Level 17, HWT Tower
40 City Road
Southbank Victoria 3006

Advent III Private Equity Limited

ACN 082 863 769

Registered Office: Level 17, HWT Tower, 40 City Road, Southbank, Victoria

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eighth Annual General Meeting of Advent III Private Equity Limited ("Company") will be held at St John's Southgate, in the Function Room, 20 City Road, Southbank, Victoria on Thursday 30 November 2006 at 11.30am.

ORDINARY BUSINESS

1. Consideration of Financial and Related Reports

To receive and consider the Annual Financial Report of the company and the related Directors' Report and Auditor's Report for the year ended 30 June 2006.

2. Resolution 1 – Re-election of Mr Rupert Harrington as a Director

To consider and, if thought fit pass the following resolution as an ordinary resolution:

"That Mr Rupert Harrington, who retires as a Director of the Company by rotation in accordance with the Company's constitution, be re-elected as a Director of the Company."

By order of the board of Advent III Private Equity Limited



Roland Stadly – Company Secretary

Dated: 19 October 2006

EXPLANATORY NOTES TO NOTICE OF ANNUAL GENERAL MEETING

Voting By Proxy

A shareholder entitled to attend and vote at the Annual General Meeting may appoint one proxy or, if the shareholder is entitled to cast two or more votes at the meeting, two proxies, to attend and vote instead of the shareholder.

Where two proxies are appointed to attend and vote at the meeting, each proxy may be appointed to represent a specified proportion or number of the shareholders' voting rights at the meeting.

A proxy need not be a shareholder of the Company.

A proxy form accompanies this Notice. For the proxy form to be valid it must be received together with the power of attorney or other authority (if any) under which the form is signed, or a (notarially) certified copy of that power or authority not less than 24 hours before the time for holding the annual general meeting, namely, by 11.30am on Wednesday 29 November 2006, at the registered office of the Company:

-at Level 17, HWT Tower, 40 City Road, Southbank, Victoria 3006

-by facsimile: (03) 9690 9466, marked to the attention of the Company Secretary.

CORPORATE DIRECTORY

DIRECTORS

John P. Shergold
Chairman (Appointed 19 November 2003)

Brian F. Ball

Grant S. Ross

Rupert A. Harrington

Jon D. Schahinger

SECRETARY

Roland J.D. Stadly

MANAGER

Advent Private Capital Pty Ltd
Level 17, HWT Tower
40 City Road
Southbank Victoria 3006
Telephone (03) 9690 9566
Facsimile (03) 9690 9466
Email enquiry@adventpc.com.au

REGISTERED OFFICE

Level 17, HWT Tower
40 City Road
Southbank Victoria 3006

AUDITORS

Deloitte Touche Tohmatsu
Chartered Accountants
Level 14
180 Lonsdale Street
Melbourne Victoria 3000

SOLICITORS

Norton Gledhill
Level 23
459 Collins Street
Melbourne Victoria 3000

BANKERS

National Australia Bank Limited
Western Branch
460 Collins Street
Melbourne Victoria 3000

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
Investor enquiries: 1300 850 505
Fax: (03) 9473 2500