QED Occtech Limited

ABN 98 057 335 672

2009

ANNUAL FINANCIAL REPORT

CORPORATE DIRECTORY

Directors

Douglas H Miller - Chairman

Ian P Middlemas

Mark L Pearce

Secretary

Mark L Pearce

Registered and Principal Office

Level 9, BGC Centre

28 The Esplanade

Perth WA 6000

Australia

International: (61 8) 9322 6322

Facsimile: (61 8) 9322 6558

Share Register

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building

45 St Georges Terrace

Perth WA 6000

Australia

Telephone: 1300 557 010

Telephone: (61 8) 9323 2000

Facsimile: (61 8) 9323 2033

Solicitors

Hardy Bowen, Lawyers

Auditor

KPMG

Bankers

Australia and New Zealand Banking Group Limited

Stock Exchange Listing

QED Occtech Limited shares are listed on the Australian Stock Exchange (Symbol: QED).

Home Exchange: Perth Office

Australian Stock Exchange

2 The Esplanade

Perth WA 6000

Australia

REVIEW OF OPERATIONS

OPERATING RESULTS

The Company recorded an operating loss before tax for the year ended 30 June 2009 of $266,271 (2008: $377,544). This loss is attributable to costs associated with business development activities, monitoring of the Company's current assets (primarily TSI) and other costs associated with the operation of a publicly listed company.

The Company recorded an after tax loss of $186,390 (2008: net profit after tax of $153,692) following the recognition of an income tax benefit of $79,881 (2008: $531,236).

The value of the Company's investment in Transaction Solutions International plc ("TSI") as at 30 June 2009 has been written down following a review of its carrying value.

At each balance date, the Board seeks advice on the value of the investment in TSI. Based on this advice, the carrying value of TSI at 30 June 2009 has been recorded at $2.9m, down from $9.0m at 30 June 2008. The associated deferred tax liability (net of deferred tax assets) reduced from $2.0m at 30 June 2008 to $46,392 at 30 June 2009, resulting in a net change of approximately $4.3m.

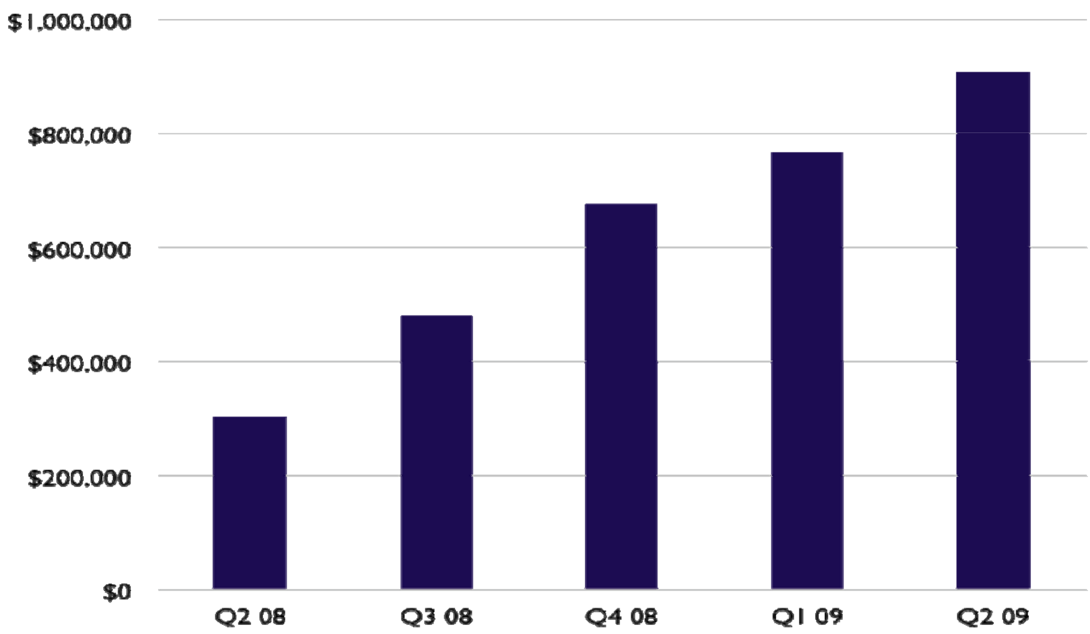
The reduced value has primarily been attributed to the deterioration of general economic conditions and of stock markets, in particular for start up companies. See Note 8 for further details on the carrying value of the investment in TSI.

REVIEW OF OPERATIONS

During the 2009 fiscal year, Transaction Solutions International plc ("TSI"), a company in which QED holds an 18.5% interest, continued the development of its electronic payments business in India.

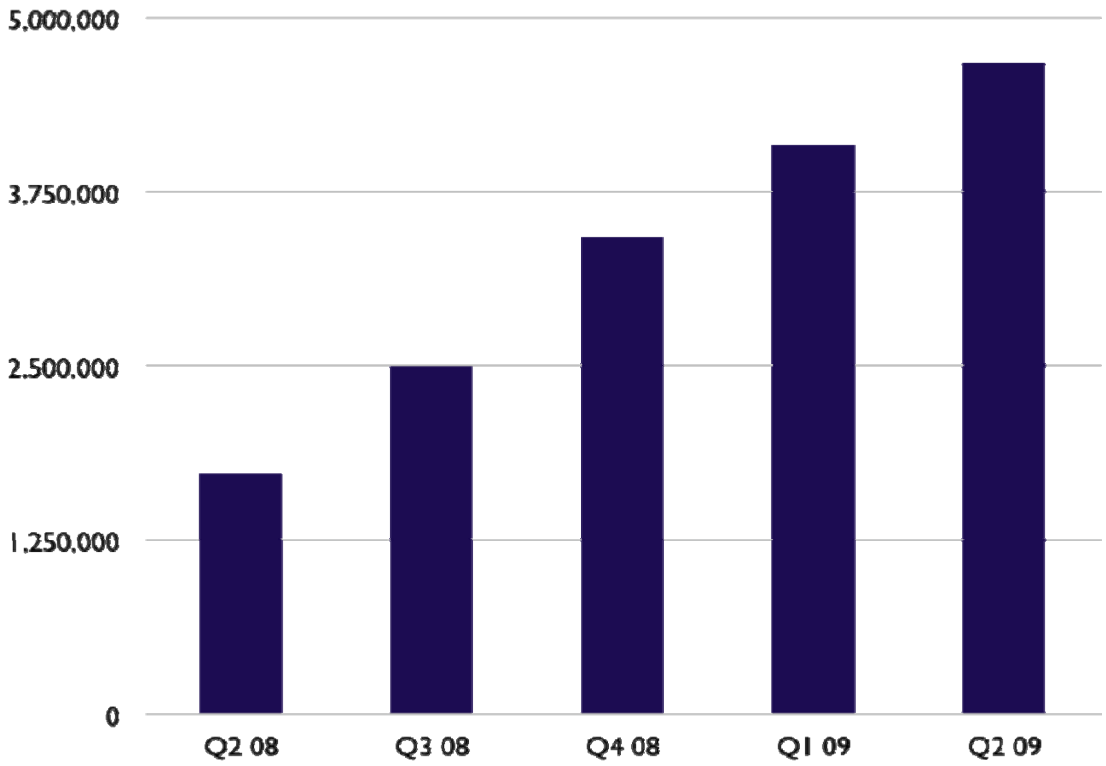
Revenues and transaction numbers have continued to increase over the last 12 months, as is demonstrated in the following two charts.

TSI – Quarterly Billing Revenue (AUD)



REVIEW OF OPERATIONS
(Continued)

TSI - Transaction Numbers



TSI management have also advised that they will examine a number of corporate options over the coming months. One option currently being considered is a placement at £0.25 per share to raise additional funds for the continued expansion of the business. TSI has also advised that they may also reconsider an IPO and listing of TSI shares on AIM stock exchange during mid to late 2010.

It should be noted that as TSI shares are not listed on a stock exchange, combined with the adverse economic conditions, this may restrict TSI's ability to execute its business plan unless it is able to gain access to additional funding. These factors may impact on the value of any future capital raisings and hence the value of QED's investment in TSI.

About TSI

TSI is a start up business dedicated to the commercialisation and deployment of transaction payments hardware and solutions (including ATMs, Eftpos and bill payments) in the emerging market in India.

TSI's intended activities in the region include the deployment of hardware and operations that allow automated transactions to occur between banks, financial institutions and bank customers through the use of financial debit or credit cards, with TSI receiving a fee per transaction.

QED currently holds 10.77m ordinary shares in TSI, which currently represents 18.50% of TSI's issued capital.

Waste Water Treatment Technology

The Company has now finalised new terms with the licensee, QED Occtech Services Pty Ltd, for the continued use of its patented water treatment technology. The agreement provides for a royalty of 5% on relevant sales / services revenue derived from QED's patented products on a non exclusive basis. QED Occtech Services Pty Ltd was recently acquired by Hatch Associates Pty Ltd, which is part of the international engineering firm, The Hatch Group.

Following this acquisition, QED Occtech Services Pty Ltd rights and obligations under the new license agreement have been assigned to Hatch Associate Pty Ltd.

The Company continues to examine other opportunities for the application of its waste water treatment technologies.

CORPORATE AND FINANCIAL POSITION

At 30 June 2009, the Company had cash reserves of $903,737 and net assets of $3.7 million.

During the year, the Company examined a number of new business development opportunities. Given the recent market conditions, the Board has deferred any decision on raising additional capital, which will be reviewed in the coming months, should the general market conditions change materially, or should the Company be able to acquire a new project.

BUSINESS STRATEGIES AND PROSPECTS

The Company currently has the following business strategies and prospects over the medium to long term:

- seek to maximise the value of the Company's holding in TSI;
- continuing to examine new business development opportunities, including ones that utilise technologies; and
- monitoring the licensing arrangements and the level of royalties of the Company's intellectual property.

DIRECTORS' REPORT

The Directors present their report on QED Occtech Limited ("QED" or "Company") for the year ended 30 June 2009 and the Auditor's Report thereon.

DIRECTORS

The names and details of the Directors of QED during the financial year and until the date of this report are provided below. Unless otherwise disclosed, directors held their office from 1 July 2008 until the date of this report.

Mr Douglas H Miller
Chairman

Mr Douglas Miller was the founding director of QED and developed QED's original waste water treatment business following its acquisition of a licence for the Tangential Flow Technology in 1992. He is a graduate in statistics from Liverpool University, United Kingdom and has an extensive background in the oil and gas and environmental industries.

Mr Miller has not held any other directorships of publicly listed companies in the last three years.

Mr Ian P Middlemas
Director

Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a director with a number of publicly listed companies in the resources and energy sectors.

During the three year period to the end of the financial year, Mr Middlemas has held directorships in Salinas Energy Limited (November 1995 - present), OmegaCorp Ltd (October 2000 – August 2007), Global Petroleum Limited (April 2007 – present), Syngas Limited (May 2007 – February 2008), Indo Mines Limited (December 2006 – present), Mantra Resources Limited (September 2005 – present), Mavuzi Resources Limited (January 2007 – March 2008), Odyssey Energy Limited (September 2005 – present), Pacific Energy Limited (June 2006 – present), Fusion Resources Limited (May 2002 – March 2009), Newport Mining Limited (September 2008 – present), Sierra Mining Limited (January 2006 – present), Sovereign Metals Limited (July 2006 – present), Xenolith Resources Limited (March 2007 - present), and Berkeley Resources Ltd (July 2003 – November 2006).

Mr Mark L Pearce
Director and Company Secretary

Mr Pearce is a Chartered Accountant and is currently a director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed small cap resource companies and has worked for several large international Chartered Accounting firms. Mr Pearce is also a Fellow of the Institute of Chartered Secretaries and a Fellow of the Financial Services Institute of Australasia. Mr Pearce was appointed a Director and Company Secretary of the Company on 8 November 2004.

During the three year period to the end of the financial year, Mr Pearce has held directorships in OmegaCorp Limited (October 2000 – August 2007), Xenolith Resources Limited (March 2007 - present), Syngas Limited (May 2007 – January 2008), Mantra Resources Limited (September 2005 – present), Mavuzi Resources Limited (January 2007 – June 2008), Odyssey Energy Limited (September 2005 – present), Newport Mining Limited (September 2008 – present), Fusion Resources Limited (May 2002 – February 2009), Sovereign Metals Limited (July 2006 – present), Sierra Mining Limited (January 2006 – August 2006 and Salinas Energy Limited (February 2002 - July 2006).

PRINCIPAL ACTIVITIES

The principal activities of QED during the financial year were to develop and invest in technologies and patents for commercialisation.

REVIEW OF OPERATIONS

A review of operations of the Company during the financial year ended 30 June 2009 is referred to in the Review of Operations (Pages 1 to 3) and forms part of this report.

DIVIDENDS

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

ENVIRONMENTAL REGULATION

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board is committed to achieving a high standard of environmental performance, and regular monitoring of potential environmental exposures is undertaken by the environmental management group. The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years, other than as disclosed below:

(a) Proposed share placement by TSI

TSI management have advised that they currently considering a placement at £0.25 per share to raise additional funds for the continued expansion of the business. The amount proposed to be raised is in the process of being finalised. It should be noted that this proposed new share issue will dilute QED's interest in TSI.

LIKELY DEVELOPMENTS

The Company will focus on the business strategies and prospects outlined in the Review of Operations section of this report. All of these activities are inherently risky and the Board is unable to provide certainty that any or all of these activities will be able to be achieved. If any or all of these activities are successfully completed, the Company's financial prospects may materially change. Therefore the Board is unable to provide any further comment on likely developments or expected results.

OPTIONS OVER UNISSUED CAPITAL

Details regarding options over unissued shares for the period 1 July 2008 to the date of this report are contained in Note 13 of the attached Financial Statements. There were no options exercised during the period 1 July 2008 to the date of this report.

DIRECTORS' REPORT
(Continued)

DIRECTORS' INTERESTS

As at the date of this report, the Directors interests in the securities of the Company are as follows:

Director	Director's Interests In Ordinary Shares		Director's Interests In Ordinary Shares Issued During the Year	
	Direct	Indirect	Direct	Indirect
Douglas H Miller	1,965,187	14,375,000	-	-
Ian P Middlemas	-	7,250,000	-	-
Mark L Pearce	-	-	-	-

No other securities (including options) of the Company were held by Directors during or since the end of the financial year.

DIRECTORS' MEETINGS

The number of meetings of the Company's Directors held in the period each Director held office during the financial year and the number of meetings attended by each Director were:

	Board of Directors' Meetings	
Director	Held While Director	Attended
Douglas H Miller	4	4
Ian P Middlemas	4	4
Mark L Pearce	4	4

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("**KMP**") of the Company.

Details of Key Management Personnel

The KMP of the Company during or since the end of the financial year were as follows:

Non-Executive Directors

Mr Douglas H Miller	Non-Executive Chairman
Mr Ian P Middlemas	Non-Executive Director
Mr Mark L Pearce	Non-Executive Director and Company Secretary

Other than Directors, there were no other KMP's of the Company during the year. Unless otherwise disclosed, the KMP held their position from 1 July until the date of this report.

Remuneration Policy

The Company's remuneration policy for its KMP has been developed by the Board taking into account the size of the Company, the size of the management team for the Company, the nature and stage of development of the Company's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

- the Company is currently generating very small, if any, levels of sales from its existing products;
- the Company is currently focused on business development activities;
- risks associated with companies at this stage of development; and
- other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until some time after the commencement of commercial production on any of its projects.

Executive Remuneration

As noted above, the Company does not currently employ any executive KMP's. However, should an executive KMP be appointed, the Company's remuneration policy for executives is to provide a fixed remuneration component and a performance based component (short term incentive and long term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

Fixed Remuneration

Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

Performance Based Remuneration – Short Term Incentive

Executives may be entitled to an annual cash bonus upon achieving various key performance indicators ("**KPI's**"), as set by the Board. The Board has focused the Company's efforts on finding and completing new business opportunities. The Board considers that the prospects of the Company and resulting impact on shareholder wealth are largely linked to the success of this approach, rather than by referring to current or prior year earnings.

Accordingly, the Board may pay a bonus to executive KMP's based on the success in generating suitable new business opportunities. A further bonus may also be paid upon the successful completion of a new business acquisition. No bonus was paid during the current financial year.

Performance Based Remuneration – Long Term Incentive

The Board has a policy of granting incentive options to executives with exercise prices at and/or above market share price (at the time of agreement). As such, incentive options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Company increases sufficiently to warrant exercising the incentive options granted.

Other than service-based vesting conditions, there are no additional performance criteria on the incentive options granted to executives, as given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of the executives and the performance and value of the Company are closely related.

Non-Executive Director Remuneration

The Board policy is to remunerate Non-Executive Directors at or below market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, incentive options have been used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought only when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Total directors' fees paid to all non-executive directors is not to exceed $150,000 per annum. Director's fees paid to Non Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and Non-Executive Directors may in limited circumstances receive incentive options in order to secure their services.

Fees for Non-Executive Directors' are presently $15,000 per annum (2008: $15,000). These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees. One director, Mr Ian Middlemas, is paid a retainer of $36,000 per annum (2008: $36,000) for his services. The Company is able to terminate the retainer with one month's notice.

As noted above, the Board has focused the Company's efforts on finding and completing new business opportunities. The Board considers that the prospects of the Company and resulting impact on shareholder wealth are largely linked to the success of this approach, rather than by referring to current or prior year earnings. Accordingly, the Board may pay a bonus to KMP's based on the success in generating suitable new business opportunities. A further bonus may also be paid upon the successful completion of a new business acquisition. No bonus was paid during the current financial year.

When required by legislation, KMP's receive superannuation contributions, which are currently 9%, and do not receive any other retirement benefit. From time to time some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to KMP's is valued at cost to the Company and expensed. No options or other securities were issued to KMP's as part of their remuneration during the current or prior year.

Impact of Shareholder Wealth on Key Management Personnel Remuneration

The Board does not directly base remuneration levels on the Company's share price or movement in the share price over the financial year. As a result of the Company's development activities, the Board anticipates that it will retain future earnings (if any) and other cash resources for the operation and development of its business. Accordingly the Company does not currently have a policy with respect to the payment of dividends, and as a result the remuneration policy does not take into account the level of dividends or other distributions to shareholders (e.g. return of capital).

Impact of Earnings on Key Management Personnel Remuneration

The Board has focused the Company's efforts on finding and completing new business opportunities. The Board considers that the prospects of the Company and resulting impact on shareholder wealth are largely linked to the success of this approach, rather than by referring to current or prior year earnings. Accordingly, the Board may pay a bonus to directors or executives (if any) based on the success in generating suitable new business opportunities. A further bonus may also be paid upon the successful completion of a new business acquisition. No bonus was paid during the current or prior financial year.

Emoluments of Directors and Executives

Details of the nature and amount of each element of the emoluments of each Director of the Company are as follows:

2009 Directors	Short-term Benefits $	Post-employment Benefits $	Equity Compensation Benefits $	Total $
Douglas H Miller (Chairman)	15,000	-	-	15,000
Ian P Middlemas	36,000	-	-	36,000
Mark L Pearce (also Company Secretary)	15,000	-	-	15,000
Total	**66,000**	**-**	**-**	**66,000**

2008 Directors	Short-term Benefits $	Post-employment Benefits $	Equity Compensation Benefits $	Total $
Douglas H Miller (Chairman)	15,000	-	-	15,000
Ian P Middlemas	36,000	-	-	36,000
Mark L Pearce (also Company Secretary)	15,000	-	-	15,000
Total	**66,000**	**-**	**-**	**66,000**

No securities were granted to Directors during the 2009 or 2008 reporting periods as compensation.

OFFICERS' INDEMNITIES AND INSURANCE

Under the Constitution the Company is obliged, to the extent permitted by law, to indemnify an officer (including Directors) of the Company against liabilities incurred by the officer in that capacity, against costs and expenses incurred by the officer in successfully defending civil or criminal proceedings, and against any liability which arises out of conduct not involving a lack of good faith.

During the year, no insurance premiums were paid by the Company to insure Directors and officers of the Company.

NON-AUDIT SERVICES

The auditor, KPMG, did not provide any non-audit services to the Company during the financial year.

DIRECTORS' REPORT
(Continued)

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, KPMG, to provide the Directors of QED Occtech Limited with an Independence Declaration in relation to the audit of the attached Financial Statements. The Lead Auditor's independence declaration is set out on page 11 and forms part of the Directors' Report for the year ended 30 June 2009.

Signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors

MARK PEARCE
Director

Perth, Western Australia
27 August 2009

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of QED Occtech Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

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

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

KPMG

KPMG

R Gambitta
Partner

Perth
27 August 2009

INCOME STATEMENT
YEAR ENDED 30 JUNE 2009

	Notes	2009 $	2008 $
Revenue	2	-	46,500
Finance Revenue	2	49,228	80,668
Total Revenue		**49,228**	**127,168**
Employee expenses		(66,000)	(66,000)
Depreciation and amortisation expenses	3(b)	(4,167)	(184,775)
Corporate administrative services		(160,000)	(144,000)
Other expenses		(85,332)	(109,937)
Loss before tax expense		**(266,271)**	**(377,544)**
Tax benefit	4	79,881	531,236
Profit/(loss) for the year		**(186,390)**	**153,692**
Profit/(loss) per share attributable to the ordinary equity holders of the Company		**Cents**	**Cents**
Basic (loss) / earnings per share	15	(0.08)	0.065
Diluted (loss) / earnings per share	15	(0.08)	0.061

The income statement is to be read in conjunction with the accompanying notes to the financial statements.

QED Occtech Limited

BALANCE SHEET
AS AT 30 JUNE 2009

	Notes	2009 $	2008 $
ASSETS			
CURRENT ASSETS			
Cash assets	5	903,737	1,118,595
Receivables	6	-	51,150
Other assets	7	13,092	4,046
TOTAL CURRENT ASSETS		**916,829**	**1,173,791**
NON-CURRENT ASSETS			
Other financial assets	8	2,900,000	9,000,000
Plant and equipment	9	-	5,555
Intangible assets	10	-	-
TOTAL NON-CURRENT ASSETS		**2,900,000**	**9,005,555**
TOTAL ASSETS		**3,816,829**	**10,179,346**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	62,325	58,571
TOTAL CURRENT LIABILITIES		**62,325**	**58,571**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	4(e)	46,392	1,956,273
TOTAL NON-CURRENT LIABILITIES		**46,392**	**1,956,273**
TOTAL LIABILITIES		**108,717**	**2,014,844**
NET ASSETS		**3,708,112**	**8,164,502**
EQUITY			
Contributed equity	12	18,075,081	18,075,081
Reserves	13	2,704,186	6,974,186
Accumulated losses		(17,071,155)	(16,884,765)
TOTAL EQUITY		**3,708,112**	**8,164,502**

The balance sheet is to be read in conjunction with the accompanying notes to the financial statements.

CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2009

	Notes	2009 $	2008 $
Cash flows from operating activities			
Receipts from customers and others		51,150	46,211
Interest received		49,228	80,668
Refunds of GST received		24,706	-
Payments to suppliers and employees		(339,942)	(341,488)
Net cash used in operating activities	16(a)	**(214,858)**	**(214,609)**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	116,694
Net cash from investing activities		**-**	**116,694**
Cash flows from financing activities			
Transaction costs on the issue of shares		-	-
Net cash used in financing activities		**-**	**-**
Net decrease in cash held		**(214,858)**	**(97,915)**
Cash at the beginning of the financial year		**1,118,595**	**1,216,510**
Cash at the end of the financial year	5	**903,737**	**1,118,595**

The cash flow statement is to be read in conjunction with the accompanying notes to the financial statements.

QED Occtech Limited

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2009

	Notes	Issued Capital $	Option Premium Reserve $	Investments Available for Sale Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2007		**18,075,081**	**1,170,000**	**3,704,186**	**(17,038,457)**	**5,910,810**
Available for sale financial assets	13(a)	-	-	2,100,000	-	2,100,000
Total income recognised directly in equity		-	-	2,100,000	-	2,100,000
Net profit for the year		-	-	-	153,692	153,692
Total recognised income and expenses		-	-	2,100,000	153,692	2,253,692
Balance at 30 June 2008		**18,075,081**	**1,170,000**	**5,804,186**	**(16,884,765)**	**8,164,502**
Available for sale financial assets	13(a)	-	-	(4,270,000)	-	(4,270,000)
Total expenses recognised directly in equity		-	-	(4,270,000)	-	(4,270,000)
Net loss for the year		-	-	-	(186,390)	(186,390)
Total recognised income and expenses		-	-	(4,270,000)	(186,390)	(4,456,390)
Balance at 30 June 2009		**18,075,081**	**1,170,000**	**1,534,186**	**(17,071,155)**	**3,708,112**

Amounts are stated net of tax.

The statement of changes in equity is to be read in conjunction with the accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

QED Occtech Limited ("Company") is a company domiciled in Australia.

This annual financial report was authorised for issue by the Directors on 26 August 2009.

The principal accounting policies adopted in preparing the financial report of the Company for the year ended 30 June 2009 are stated to assist in a general understanding of the financial report.

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") and UIG interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars, which is the Company's functional currency.

Use of estimates

The preparation of a financial report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

> *Investment in TSI*
>
> The Company currently holds an 18.5% (2008: 18.5%) investment in Transaction Solutions International plc ("TSI"). The investment in TSI is unlisted and classified as available for sale and is carried at fair value. The Directors have sought independent advice regarding the fair value of this investment as at 30 June 2009. Based on that advice, the Board has determined the fair value to be $2,900,000 (2008: $9,000,000) (see Notes 8 and 17 for further details regarding the carrying value of the investment in TSI).
>
> *Deferred tax liability*
>
> As at 30 June 2009 a deferred tax liability of $46,392 (see Note 4(e) for further details) has been recognised in the financial statements (2008:$1,956,273). This deferred tax liability relates to the unrealised gain on the investment in TSI (see above and also Notes 8 and 17 for further details regarding the carrying value of the investment in TSI).

Should the investment in TSI be sold, the actual amount of tax payable may differ, as the estimated deferred tax liability has been based on the application of the current taxation laws and interpretations which may differ at the date of sale of the investment in TSI. The exact timing and nature of future transactions may also differ to what has been assumed, which may also result in the actual amount of tax payable on the sale of the investment in TSI being materially higher or lower than what is currently estimated.

(b) Statement of Compliance

The financial report complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

(c) Basis of Consolidation

Subsidiaries (if any) are all those entities (including special purpose entities) over which the Group (comprising the Company and any subsidiaries it may at any time have) has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(h)). Investments in subsidiaries are carried at their cost in the Company's financial statements.

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

(d) Segment Reporting

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

(e) Foreign Currency Translation

(i) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on certain non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on other non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Foreign Currency Translation (Continued)

(iii) Group companies

The results and financial position of all the Group entities, if any, (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders equity. Where a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

Control of the goods has passed to the buyer.

(ii) Interest

Control of the right to receive the interest payment has been attained. Interest is recognised as it accrues using the effective interest method.

(iii) Royalties

Royalty revenue received from the licensing of intellectual property is recognised in the Income Statement as it accrues under the relevant licensing agreements.

(g) Income Tax

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

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

(h) Acquisition of Assets

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

(i) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and Cash Equivalents

“Cash and cash equivalents” includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less impairment losses.

(l) Investments and Other Financial Assets

The Company classifies its investments 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 and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investment fair value reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

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(m) Fair Value Estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The nominal values less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(n) Property, Plant and Equipment

Plant and equipment is stated at historical cost less depreciation and impairment losses (see Accounting Policy (i)). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Plant and equipment are depreciated or amortised on a reducing balance or straight line basis at rates based upon their expected useful lives as follows:

	Life
Plant and equipment	2 - 15 years

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

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

(o) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company. The amounts are unsecured and are usually paid within 30 days.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions to the defined contribution fund are recognised as an expense as they become payable.

(q) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

(s) Earnings per Share

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

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

(t) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other assets in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as an operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Share-Based Payments

Share-based payments may be provided to directors, employees, consultants, other advisors or as consideration for the acquisition of assets.

For share-based payments to directors and employees, the fair value of options granted (determined using the Black-Scholes option pricing model) is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which option holders become unconditionally entitled to the options.

For share-based payments to other parties, the fair value of options granted (determined using the Black-Scholes option pricing model) is recognised as an expense with a corresponding increase in equity. The fair value is measured at the date of the service and recognised in the financial year the service was provided.

(v) Intangibles

Patents and trademarks, preliminary expenditure and intellectual property

Patents, licences, preliminary expenditure and intellectual property are carried at cost and amortised on a straight-line basis over their useful lives, being not more than 10 years.

(w) Non-Current Assets Held for Sale

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Standards and Interpretations not yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009 but have not been applied in preparing this financial report.

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB Int. 16	Hedges of a Net Investment in a Foreign Operation	This Interpretation requires that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 October 2008	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB Int. 18	Transfers of Assets from Customers	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The Interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an ‘exchange transaction’.	Applies prospectively to transfers of assets from customers received on or after 1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Company's financial statements. In addition, the amendments may have an impact on the Company's segment disclosures.	1 July 2009
AASB 1039	Concise Reporting	AASB 1039 was revised in	1 January 2009	These amendments	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
(revised)		August 2008 to achieve consistency with AASB 8 Operating Segments. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 Presentation of Financial Statements.		are not expected to have any impact on the Company's financial report.	
AASB 123 (revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards.	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The Company has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 101 (revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassification of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Company's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Company has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report, but may impact on future share based payments.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report as the Company does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009
AASB 3 (revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for	1 July 2009	These amendments are not expected to have any impact on	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
		business combinations, the most significant of which includes the requirement to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.		the Company's financial report as the Company does not currently account for any business combinations.	
AASB 127 (revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report as the Company does not currently account for any subsidiaries.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	Refer to AASB 3 (revised) and AASB 127 (revised) above.	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the "cost	1 January 2009	These amendments are not expected to have any impact on the Company's	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
	an Investment in a Subsidiary, Jointly Controlled Entity or Associate	method" and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.		financial report.	
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: • quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); • inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and • inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
		resulting from the amendments to AASB 7.			
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.	1 January 2010	These amendments are not expected to have any impact on the Company's financial report.	1 July 2010
Amendments to International Financial Reporting Standards	Amendments to IFRS 2	The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular: • the scope of AASB 2; and • the interaction between IFRS 2 and other standards.	1 January 2010	These amendments are not expected to have any impact on the Company's financial report as the Company does not have any cash-settled share based payment transactions.	1 July 2010

	Notes	2009 $	2008 $
2. REVENUE			
Revenue			
Revenue from royalties		-	46,500
Finance Revenue			
Interest – other parties		49,228	80,668
		49,228	**127,168**
3. OTHER INCOME AND EXPENSES			
(a) Auditors remuneration			
Audit and half year review of the Company's Financial Statements		27,000	29,000
Total remuneration paid/payable to Auditor		**27,000**	**29,000**
(b) The loss before tax expense has been determined after charging the following items:			
Depreciation			
Plant and equipment	9	4,167	5,557
Amortisation			
Patents	10	-	179,218
Total depreciation and amortisation		**4,167**	**184,775**
Loss on disposal of plant and equipment		1,388	-
Net bad/doubtful debts expense			
Doubtful debts write back	6(a)	-	(42,000)
Bad debts written off		-	42,000
Total bad debt expense/(recoveries)		**-**	**-**

	2009 $	2008 $
4. INCOME TAX		
No income tax is payable by the Company as it has incurred losses for income tax purposes for the year		
(a) Recognised in the income statement		
Current Tax Benefit		
Current Year	(196,923)	(113,238)
	(196,923)	(113,238)
Deferred Tax Expense/(Benefit)		
Origination and reversal of temporary differences	116,817	(25)
Recognition of previously unrecognised temporary differences	225	(156,230)
Recognition of previously unrecognised tax losses	-	(261,743)
Tax losses not brought to account	-	-
Total income tax benefit in the income statement	**(79,881)**	**(531,236)**
(b) Reconciliation between loss before tax and tax expense		
Loss before tax expense/(benefit)	(266,271)	(377,544)
Prima facie tax benefit at 30% (2008: 30%)	(79,881)	(113,263)
Deferred tax assets not previously brought to account	-	(417,973)
Tax benefit	**(79,881)**	**(531,236)**
(c) Income tax recognised directly in equity		
Movement in deferred tax liability		
Relating to change in fair value of available for sale financial assets	**(1,830,000)**	**900,000**
(d) Unrecognised deferred tax assets		
The deferred tax assets not brought to account at 30% (2008: 30%) relating to income tax losses and temporary differences, the benefits of which will only be realised if the conditions for deductibility as set out in Note 1(g) occur, are as follows:		
Deductible temporary differences	-	-
Tax losses	-	-
	-	**-**

During the prior year, the benefit of previously unrecognised deductible temporary differences and certain carry forward tax losses was brought to account. The deferred tax asset has been brought to account as a reduction of the deferred tax liability as it is the taxable temporary differences giving rise to the deferred tax liability which will result in taxable amounts against which the deferred tax assets can be utilised. The amounts recognised as deferred tax assets during the year are shown in note 4(e) below.

(e) Recognised deferred tax and liabilities

	Assets		Liabilities		Net	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Available-for-sale financial assets	-	-	657,509	2,487,509	657,509	2,487,509
Plant and equipment	(22,638)	(127,410)	-	-	(22,638)	(127,410)
Accruals	(9,900)	(10,800)	-	-	(9,900)	(10,800)
Tax losses	(571,679)	(374,981)	-	-	(571,679)	(374,981)
Other items	(6,900)	(18,045)	-	-	(6,900)	(18,045)
	(611,117)	**(531,236)**	**657,509**	**2,487,509**	**46,392**	**1,956,273**

	2009 $	2008 $
5. CASH ASSETS		
Cash at bank and on hand	**903,737**	**1,118,595**
6. RECEIVABLES		
Current		
Trade and other debtors	-	51,150
Less provision for impairment	-	-
	-	**51,150**
(a) Reconciliation of provision for impairment		
Carrying amount at beginning of year	-	42,000
Amount written-off during the year	-	(42,000)
Carrying amount at end of year	**-**	**-**
7. OTHER ASSETS		
Current		
Refund of GST due	**13,092**	**4,046**
8. OTHER FINANCIAL ASSETS		
Non-Current – Available-for-sale financial assets		
Investments in other entities[(a)]	**2,900,000**	**9,000,000**

(a) This refers to an investment in Transaction Solutions International plc ("TSI"). QED currently holds an 18.5% (2008: 18.5%) interest in TSI. The investment is not equity accounted, as QED does not have the capacity to significantly influence the financial or operating policies of TSI.

The investment in TSI is classified as available-for-sale and is carried at fair value (2008: at fair value). The Directors have sought independent advice regarding the fair value of this investment as at 30 June 2009. Based on that advice, the Board has determined the fair value to be $2,900,000 (2008: $9,000,000). A deferred tax liability has been recognised in respect of this investment (refer Note 4(e)). The net loss on revaluation of this investment recorded in the investment fair value reserve for the year was $4,270,000 (2008: net gain of $2,100,000). The accounting policy for this investment is disclosed in Note 1(d) and further discussion as to its fair value is disclosed in Note 17.

	2009 $	2008 $
9. PLANT AND EQUIPMENT		
Plant and Equipment		
At cost	150,923	905,820
Accumulated depreciation and impairment	(150,923)	(900,265)
	-	**5,555**
Reconciliation		
Reconciliation of the carrying amounts for each class of plant and equipment are set out below:		
Plant and equipment		
Carrying amount at beginning of year	5,555	11,112
Disposals	(1,388)	-
Depreciation	(4,167)	(5,557)
Carrying amount at end of year	**-**	**5,555**
10. INTANGIBLE ASSETS		
Patents		
At Cost	1,036,000	1,036,000
Accumulated amortisation and impairment	(1,036,000)	(1,036,000)
	-	**-**
Reconciliation		
Reconciliation of the carrying amount for intangible assets is set out below:		
Patents		
Carrying amount at beginning of year	-	179,218
Amortisation	-	(179,218)
Carrying amount at end of year	**-**	**-**
11. TRADE AND OTHER PAYABLES		
Current (Unsecured)		
Other creditors and accruals	**62,325**	**58,571**
12. CONTRIBUTED EQUITY		
(a) Issued and paid up capital		
238,047,537 (2008: 238,047,537) ordinary shares	**18,075,081**	**18,075,081**

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital nor par value in respect of its issued shares.

(b) Movements in issued and paid up capital during the past two years were as follows:

Date	Details	Number of Shares	$
01/07/07	Opening balance	238,047,537	18,075,081
30/06/08	Closing balance	238,047,537	18,075,081
30/06/09	**Closing balance**	**238,047,537**	**18,075,081**

(c) Terms and Conditions of Ordinary Shares

(i) General

The ordinary shares ("Shares") are ordinary shares and rank equally in all respects with all ordinary shares in the Company.

The rights attaching to the Shares arise from a combination of the Company's Constitution, statute and general law. Copies of the Company's Constitution are available for inspection during business hours at its registered office.

(ii) Reports and Notices

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

(iii) Voting

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company on a show of hands, every ordinary Shareholder present in person, or by proxy, attorney or representative (in the case of a Company) has one vote and upon a poll, every Shareholder present in person, or by proxy, attorney or representative (in the case of a Company) has one vote for any Share held by the Shareholder.

A poll may be demanded by the Chairperson of the meeting, any 5 Shareholders entitled to vote in person or by proxy, attorney or representative or by any one or more Shareholders holding not less than 5% of the total voting rights of all Shareholders having the right to vote.

(iv) Variation of Shares and Rights Attaching to Shares

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

Class rights attaching to a particular class of shares may be varied or cancelled with the consent in writing of holders of 75% of the shares in that class or by a special resolution of the holders of shares in that class.

12. CONTRIBUTED EQUITY (Continued)

(c) Terms and Conditions of Ordinary Shares (Continued)

(v) Unmarketable Parcels

The Company may procure the disposal of Shares where the member holds less than a marketable parcel of Shares within the meaning of the Listing Rules (being a parcel of shares with a market value of less than $500). To invoke this procedure, the Directors must first give notice to the relevant member holding less than a marketable parcel of Shares, who may then elect not to have his or her Shares sold by notifying the Directors.

(vi) Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(vii) Listing Rules

Provided the Company remains admitted to the Official List of the Australian Stock Exchange Ltd, then despite anything in the Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

	2009 $	2008 $
13. RESERVES		
(a) Reserves		
Option Premium Reserve		
Opening Balance	1,170,000	1,170,000
Share based payments	-	-
Closing Balance	**1,170,000**	**1,170,000**
Investments Available for Sale Reserve		
Opening Balance	5,804,186	3,704,186
Change in fair value of available for sale financial assets	(6,100,000)	3,000,000
Deferred tax liability in respect of change in fair value of available for sale financial assets	1,830,000	(900,000)
Closing Balance	**1,534,186**	**5,804,186**
Total Reserves	**2,704,186**	**6,974,186**

(i) Option Premium Reserve

The option premium reserve is used to record the fair value of share based payments made by the Company and balances are transferred to retained earnings when the options are exercised or lapsed.

(ii) Investments Available for Sale Reserve

The investments available for sale reserve is used to record fair value changes on available for sale investments until the investment is derecognised or impaired.

(b) Movements in options during the past two years were as follows:

Date	Details	Number of $0.015 Options	$
01/07/07	Opening balance	30,000,000	1,170,000
30/06/08	Closing balance	30,000,000	1,170,000
30/06/09	**Closing balance**	**30,000,000**	**1,170,000**

The options on issue at 30 June 2009 were granted pursuant to the acquisition of the original interest of an entity that became Transaction Solutions International plc. None of the options were issue to or are held by Directors or key management personnel.

(c) Terms and Conditions of Options – $0.015

(i) Entitlement

The Options entitle the holder to subscribe for one Share upon exercise of each Option.

(ii) Exercise Price

The exercise price of each Option is $0.015.

(iii) Expiry Date

Each Option has an expiry date of 31 December 2009.

(iv) Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date.

(v) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then shares of the Company.

(vi) Quotation of Shares on exercise

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

(vii) Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

13. RESERVES (Continued)

(c) Terms and Conditions of Options – $0.015 (Continued)

(viii) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and

- no change will be made to the Exercise Price.

(ix) Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced in the manner specified in ASX Listing Rule 6.22.

(x) Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

(xi) No Quotation of Options

No application will be made by the Company to ASX for official quotation of the Options.

(xii) Options transferable

The Options are transferable.

14. RELATED PARTIES

The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Directors
Mr Ian P Middlemas
Mr Mark L Pearce
Mr Douglas H Miller

(a) Key Management Personnel Compensation

	2009 $	2008 $
Short-term employee benefits	66,000	66,000
Post-employment benefits	-	-
Total compensation	**66,000**	**66,000**

Key management personnel disclosures previously required by AASB 124 Related Party Disclosures paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2 are included the Remuneration Report section of the Directors' Report.

(b) Loans to Key Management Personnel

There were no loans made to any key management personnel during the year ended 30 June 2009 (2008: Nil).

(c) Other Transactions with Key Management Personnel of the Company

The following transactions with key management personnel and their related entities occurred during the year on normal commercial terms and conditions:

- Apollo Group Pty Ltd, a company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid $160,000 (2008: $144,000) for the provision of serviced office facilities, company secretarial services and other administration services for the period 1 July 2008 to 30 June 2009 which has been recognised as an expense. The amount is based on a monthly retainer due and payable in arrears, and is able to be terminated with one month's notice by either party.

(d) Shareholdings of Key Management Personnel

The aggregate number of shares of the Company held directly, indirectly or beneficially by key management personnel of the Company or their related entities at balance date is as follows:

2009

Key Management Person	Held at 1 July 2008 (No.)	Purchases (No.)	Received on exercise of options (No.)	Other Changes (No.)	Sales (No.)	Held at 30 June 2009 (No.)
Douglas H Miller	16,340,187	-	-	-	-	16,340,187
Ian P Middlemas	7,250,000	-	-	-	-	7,250,000
Mark L Pearce	-	-	-	-	-	-

No shares were granted to key management personnel during the 2009 reporting period as compensation.

14. RELATED PARTIES (Continued)

(d) Shareholdings of Key Management Personnel (Continued)

2008

Key Management Person	Held at 1 July 2007 (No.)	Purchases (No.)	Received on exercise of options (No.)	Other Changes (No.)	Sales (No.)	Held at 30 June 2008 (No.)
Douglas H Miller	16,340,187	-	-	-	-	16,340,187
Ian P Middlemas	7,250,000	-	-	-	-	7,250,000
Mark L Pearce	-	-	-	-	-	-

No shares were granted to key management personnel during the 2008 reporting period as compensation.

(e) Option and Right Holdings of Key Management Personnel

No options over ordinary shares of the Company were held directly, indirectly or beneficially by key management personnel of the Company or their related entities at any time during the financial year ended 30 June 2009.

No options were granted to key management personnel during the current or prior reporting period as compensation.

	2009 $	2008 $
15. EARNINGS PER SHARE		
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Profit/(loss) attributable to ordinary equity holders of the Company from continuing operations	(186,390)	153,692
Profit/(loss) attributable to ordinary equity holders of the Company from discontinued operations	-	-
Profit/(loss) attributable to ordinary equity holders of the Company	**(186,390)**	**153,692**

(i) Weighted average number of ordinary shares (basic)	2009 Number of Shares	2008 Number of Shares
Weighted average number of fully paid ordinary shares on issue during the year used in the calculation of basic earnings per share	**238,047,537**	**238,047,537**

(ii) Diluted earnings per share

The Company has on issue 30,000,000 unlisted options over ordinary shares which do not have a dilutive effect on earnings per share for the year ended 30 June 2009.

The calculation of diluted earnings per share is based on the same profit attributable to ordinary equity holders of the Company as used in the basic earnings per share calculation, as shown above.

The effect of the share options on the weighted average number of ordinary shares for the diluted earnings per share calculation is shown below:

(iii) Weighted average number of ordinary shares (diluted)	2009	2008
	Number of Shares	
Weighted average number of fully paid ordinary shares on issue during the year used in the calculation of basic earnings per share	238,047,537	238,047,537
Effect of share options on issue	-	15,570,934
Weighted average number of ordinary shares (diluted) as at 30 June	**238,047,537**	**253,618,471**

At 30 June 2009, these options were not been included in the calculation of diluted EPS as they were not considered dilutive. Accordingly, for the year ended 30 June 2009, diluted loss per share is the same as the basic loss per share.

(iv) Earnings per share for continuing and discontinued operations	2009	2008
	Cents per Share	
Basic profit/(loss) per share		
From continuing operations	(0.08)	0.065
From discontinued operations	-	-
	(0.08)	**0.065**
Diluted profit/(loss) per share		
From continuing operations	(0.08)	0.061
From discontinued operations	-	-
	(0.08)	**0.061**

16. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of the profit/(loss) after income tax to the net cash flows used in operating activities

	2009 $	2008 $
Profit/(loss) for the year after income tax	(186,390)	153,692
Non-cash items		
Depreciation and amortisation	4,167	184,775
Income tax benefit	(79,881)	(531,236)
Loss on disposal of plant and equipment	1,388	-
Change in operating assets and liabilities		
Decrease (Increase) in receivables	51,150	(23,650)
Decrease (Increase) in other assets	(9,046)	1,864
Increase (Decrease) in payables	3,754	(54)
Net cash outflows used in operating activities	**(214,858)**	**(214,609)**

17. FINANCIAL RISK MANAGEMENT

(a) Overview

The Company has exposure to the following risks from their use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Given the nature and size of the business, no formal risk management committees have been established, however responsibility for control and risk management is delegated to the appropriate level of management with the chief executive officer and chief financial officer (or their equivalent) having ultimate responsibility to the Board for the risk management and control framework.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of the operations and financial position of the Company. The Board also reviews risks that relate to operations and financial instruments as required, but at least every six months.

Given the uncertainty as to the timing and amount of cash inflows and outflows, the Company has not implemented any additional strategies to mitigate the financial risks and no hedging has been put in place. As the Company's operations change, the Directors will review this policy periodically going forward.

The Company's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains.

(b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents, and trade and other receivables. The Company holds its cash balances with an Australian bank with an appropriate credit rating.

The Company has a license agreement with QED Occtech Services Pty Ltd (now assigned to Hatch Associated Pty Ltd) whereby it may receive a royalty for use of its intellectual property. No amount was invoiced for the royalty to 30 June 2009. The Company does not have any other significant customers or other debtors aside from GST refunds due and accordingly does not currently have any significant exposure to bad or doubtful debts.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its liabilities when due. This is monitored by the preparation of monthly cash flow reports, and regular forecasts as required but at least every six months. As at 30 June 2009 there are no borrowings. As the Company assesses new opportunities it will examine the need for additional funding / liquidity.

(d) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The Company currently does not engage in any hedging or derivative transactions to manage market risk.

(i) Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Company to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables, investments and payables are non-interest bearing.

(ii) Currency risk

The Company does not have any direct exposure to currency risk as it does not have any significant transactions or balances denominated in foreign currencies, but has an indirect exposure relating to the investment in TSI. This exposure arises as TSI is registered in the United Kingdom, and the value of its securities is denominated in Pounds Sterling (GBP).

TSI has plans to raise additional capital in England and may list on the Alternative Investment Market (AIM) of the London Stock Exchange. Should this occur, then TSI's securities will trade in GBP on the AIM.

The Company does not currently engage in any hedging or derivative transactions to manage foreign currency risk.

(iii) Other market price risk

The Company is exposed to equity price risk arising from its equity investments, in particular the Company's investment in TSI. Equity investments are currently held for strategic rather than trading purposes. TSI is currently unlisted and has undertaken a number of capital raisings by issuing ordinary shares. As discussed above, TSI's management have indicated that they may list on AIM. Should this occur, then it is expected the equity price volatility of TSI's securities will increase.

However, it should be noted that the fair value of the investment in TSI has reduced substantially from $9,000,000 at 30 June 2008 to $2,900,000 at 30 June 2009. The reduction in fair value is largely attributable to the deterioration of general economic conditions and of stock markets, in particular for start up companies.

As the shares in TSI are not listed on a stock exchange combined with the adverse economic conditions may restrict TSI’s ability to conduct and/or expand its business unless it is able to gain access to additional funding, which may impact on the value of the investment.

The Company does not actively trade these investments and no hedging or derivative transactions have been used to manage equity price risk.

(e) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Company, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares. The Company is currently examining new business opportunities where acquisition/working capital requirements of a new project may involve additional funding in some format (which may include debt, where appropriate).

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

17. FINANCIAL RISK MANAGEMENT (continued)

(f) Credit Risk

(i) Exposure to credit risk

The carrying amount of the Company's financial assets (other than investments) represents the maximum credit risk exposure, as represented below:

	Notes	Company Carrying Amount	
		2009 $	2008 $
Cash and cash equivalents	5	903,737	1,118,595
Trade and other receivables	6	-	51,150
Other assets – GST refunds due	7	13,092	4,046

Company receivables in 2008 were comprised of royalties. Other assets are comprised of GST refunds due. Royalty amounts are determined periodically and GST refunds recorded when due.

(ii) Impairment losses

None of the Company's receivables at 30 June 2009 and 30 June 2008 are past due.

An allowance account in respect of receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. No amount has been written off during the year (2008: $42,000).

(g) Liquidity Risk

(i) Exposure to liquidity risk

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

	Carrying Amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $
30 June 2009 – Company						
Trade and other payables	62,325	(62,325)	(62,325)	-	-	-
30 June 2008 – Company						
Trade and other payables	58,571	(58,571)	(58,571)	-	-	-

(h) Currency Risk

(i) Exposure to currency risk

As at 30 June 2009 and 2008, the Company did not have any direct exposure to foreign currency risk as all of its financial assets and liabilities at balance date were denominated in Australian dollars, other than the investment in TSI, which is dominated in GBP.

At 30 June 2009, the value of the investment in TSI has been determined to be GBP 1.412 million at an exchange rate of AUD/GBP of A$2.0533 to equal A$2.9 million.

At 30 June 2008, the value of the investment in TSI was determined to be GBP 4.353 million at an exchange rate of AUD/GBP of A$2.0677 to equal A$9.0 million.

(ii) Sensitivity analysis for currency risk

A sensitivity of 10 per cent has been selected as this is considered reasonable given historic and potential changes in foreign currency rates.

A 10% strengthening of the Australian dollar against the GBP at 30 June 2009 would have decreased equity by $203,000, being a $290,000 decrease in the value of the investment less a decrease in the associated deferred tax liability of $87,000. (2008: a decrease of $630,000, being a $900,000 decrease in the value of the investment net of a decrease in the associated tax provision of $270,000).

A 10% weakening of the Australian dollar against the GBP at 30 June 2009 would have increased equity by $203,000, being a $290,000 increase in the value of the investment less an increase in the associated deferred tax liability of $87,000. (2008: an increase of $630,000, being a $900,000 increase in the value of the investment less an increase in the associated deferred tax liability of $270,000).

There would be no impact on profit or loss arising from changes in the currency risk variables relating to the Company's investment in TSI as all changes in value are taken to a reserve.

The above analysis assumes that all other variables, in particular interest rates and equity prices, remain constant. The analysis for 2008 has been performed on the same basis.

17. FINANCIAL INSTRUMENTS (Continued)

(i) Interest Rate Risk

(i) Exposure to interest rate risk

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	Company Carrying Amount	
	2009 $	2008 $
Interest-bearing financial instruments		
Cash and cash equivalents	92,285	106,233
Short term deposits	811,452	1,012,362
	903,737	**1,118,595**

- The cash balances were at an interest rate of 0.75% (2008: 5.0%); and
- The short term deposit was at an interest rate of 3.27% (2008: 7.44%).

(ii) Cash flow sensitivity analysis for variable rate instruments

A sensitivity of 10 per cent has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 10% movement in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or Loss	
	10% Increase $	10% Decrease $
30 June 2009		
Cash and cash equivalents	**2,723**	**(2,723)**
30 June 2008		
Cash and cash equivalents	**8,063**	**(8,063)**

(j) Other Market Price Risk

(i) Exposure to other market price risk

The Company's investment in TSI is classified as available-for-sale and is carried at fair value (2008: at fair value). The Directors have sought independent advice regarding the fair value of this investment as at 30 June 2009. Based on that advice, the Board has determined the fair value to be $2,900,000 (2008: $9,000,000). A deferred tax liability has been recognised in respect of this investment (refer Note 4(e)). The net loss on revaluation of this investment recorded in the investment fair value reserve was $4,270,000 (2008: net gain of $2,100,000).

(ii) Sensitivity analysis for other market price risk

A sensitivity of 10 per cent has been selected as this is considered reasonable given potential changes in value at which TSI is able to raise additional funds.

A 10% increase in the value at which TSI is able to raise additional funds (or the price at which securities are traded between arms length parties) at 30 June 2009 would have increased equity by $203,000, being a $290,000 increase in the value of the investment less an increase in the associated deferred tax liability of $87,000. (2008: an increase of $630,000, being a $900,000 increase in the value of the investment less an increase in the associated deferred tax liability of $270,000).

A 10% decrease in the value at which TSI is able to raise additional funds (or the price at which securities are traded between arms length parties) at 30 June 2009 would have decreased equity by $203,000, being a $290,000 decrease in the value of the investment less a decrease in the associated deferred tax liability of $87,000. (2008: a decrease of $630,000, being a $900,000 decrease in the value of the investment net of a decrease in the associated tax provision of $270,000).

There would be no impact on profit or loss arising from changes in the risk variables relating to the Company's investment in TSI as all changes in value are taken to a reserve. Discussion regarding the assumptions used in preparing the valuation of this investment and the impact of changes in these assumptions is included in the Fair Value of Financial Assets and Liabilities section below.

(k) Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and financial liabilities approximates their carrying value.

The net fair value of the Company's investment in TSI for the year ended 30 June 2009 has been determined using a valuation technique, with reference to various issues of shares made by TSI. The net fair value calculated on this basis has been discounted due to the lack of a liquid market in the TSI shares and for market conditions. The valuation provided for a discount range of 25 – 40% for illiquidity and 30 - 45% for market conditions (when comparing share issues undertaken during that time).

The Board considered the higher discount rates to be more appropriate and this has resulted in the recorded net fair value of $2.9m. Use of the lower discount rates would have resulted in a valuation of up to $4.15m. The lower value is also consistent with the implied fair value of QED's interest in TSI given that TSI management have advised that they currently considering a placement at £0.25 per share to raise additional funds for the continued expansion of the business.

The net decrease in fair value during the year of $4.27m, after recognition of the deferred tax liability, has been taken to the investment fair value reserve as set out in Note 8(a). Had the investment been recorded at a higher fair value, the investment asset, investment fair value reserve and the deferred tax liability recorded would all have been correspondingly higher. No amount has been recorded in the profit and loss during the year in respect of this investment.

The net fair value of the Company's investment in TSI for the year ended 30 June 2008 was determined using a valuation technique, with reference to a recent issue of shares at that time made by TSI. The net fair value calculated on this basis has been discounted due to the lack of a liquid market in the TSI shares. The valuation provided for a discount range of 30-35%. The Board considered the higher discount rate to be more appropriate and this resulted in the recorded net fair value of $9.0m. Use of the lower discount rate would have resulted in a valuation of up to $9.7m. The net increase in fair value during the year of $2.1m, after recognition of the deferred tax liability, was taken to the investment fair value reserve as set out in Note 8(a). Had the investment been recorded at a higher fair value, the investment asset, investment fair value reserve and the deferred tax liability recorded would all have been correspondingly higher. No amount was recorded in the profit and loss during the year in respect of this investment.

18. SEGMENT INFORMATION

The Company operates predominantly in one industry, being the commercial application of technology solutions, and in one geographic location, namely Australia.

19. AFTER BALANCE DATE EVENTS

Other than as discussed below, as at the date of this Financial Report there are no matters or circumstances which have arisen since 30 June 2009 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2009, of the Company;
- the results of those operations, in financial years subsequent to 30 June 2009, of the Company; or
- the state of affairs, in financial years subsequent to 30 June 2009, of the Company.

(a) Proposed share placement by TSI

As disclosed in Note 17, TSI management have advised that they currently considering a placement at £0.25 per share to raise additional funds for the continued expansion of the business. The amount proposed to be raised is in the process of being finalised. It should be noted that this proposed new share issue will dilute QED’s interest in TSI.

In accordance with a resolution of the directors of QED Occtech Limited:

1. In the opinion of the directors:

   (a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:

      (i) section 296 (compliance with accounting standards and Corporations Regulations 2001); and

      (ii) section 297 (true and fair view); and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

On behalf of the Board

MARK PEARCE
Director

Perth, Western Australia
27 August 2009

Independent auditor's report to the members of QED Occtech Limited

Report on the financial report

We have audited the accompanying financial report of QED Occtech Limited (the Company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 19 and the directors' declaration.

Directors' responsibilities for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of QED Occtech Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

Report on the remuneration report

We have audited the Remuneration Report included in pages 7 to 8 of the director's report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with *Section 300A of the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of QED Occtech Limited for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act.*

KPMG

KPMG

R Gambitta
Partner

Perth
27 August 2009