

Financial report

Clean TeQ Pty Ltd

ABN 36 089 076 022

30 June 2007

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Directors' report

Your directors present their report on the consolidated entity (group) for the financial year ended 30 June 2007.

The names of the directors in office at any time during or since the end of the year are:

Mr Peter Leonard Voigt
Mr Greg Leonard Toll
Mr Jeremy Carter

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The profit of the group for the financial year after providing for income tax amounted to \$1,898,359.

A review of the operations of the group during the financial year and the results of those operations show changes in market demand and competition have resulted in an increase in sales of 29% to \$6,999,450. The increase in sales has contributed to an increase in the company's profit from ordinary activities before tax.

No significant changes in the group's state of affairs occurred during the financial year. The principal activities of the group during the financial year were developing extractive processes for industry through out Australia. No significant change in the nature of these activities occurred during the year.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

Likely developments in the operations of the group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the group.

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

There were no dividends paid or declared since the start of the financial year.

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the economic entity.

No person has applied for leave of Court to bring proceedings on behalf of the company or intervened in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.


Adoption of Australian equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those AIFRS standards as detailed in Note 1 to this report. In addition, the group has elected to adopt certain accounting policies to comply with the recognition and measurement criteria contained within AIFRS.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3 and forms part of this report.

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



Greg Leonard Toll
Director

Dated this 14th day of August 2007



BDO Kendalls

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9 August 2007

The Directors
Clean TeQ Pty Ltd
270 Hammond Road
DANDENONG SOUTH VIC 3175

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Clean TeQ Pty Ltd for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

BDO Kendalls Audit & Assurance (VIC) Pty Ltd
Chartered Accountants

Nicholas E. Burne
Director
Melbourne

Income statements

For the year ended 30 June 2007

	Note	Economic Entity		Parent Entity	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue	3	7,024,768	5,461,097	7,024,768	5,460,140
Other income	3	-	107,763	-	107,763
Changes in inventories of finished goods and work in progress		387,398	43,267	387,398	43,267
Raw materials and consumables		(2,123,888)	(2,845,268)	(2,123,888)	(2,845,128)
Employee benefits expense		(1,833,133)	(1,582,386)	(1,833,133)	(1,582,386)
Depreciation and amortisation expenses		(1,265,105)	(39,961)	(1,265,105)	(39,961)
Impairment of financial assets	4	-	-	-	(783,265)
Other expenses		(242,149)	(50,545)	(241,789)	(49,208)
Finance costs	4	(49,532)	(35,424)	(49,532)	(35,424)
Profit before income tax		1,898,359	1,058,543	1,898,719	275,798
Income tax expense	5	-	-	-	-
Profit attributable to members of the parent entity		1,898,359	1,058,543	1,898,719	275,798

Balance sheets

As at 30 June 2007

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	8	1,118,861	136,578	1,114,842	132,199
Trade and other receivables	9	1,011,904	1,091,784	1,011,904	1,091,784
Inventories	10	465,665	78,267	465,665	78,267
Total current assets		2,596,430	1,306,629	2,592,411	1,302,250
Non-current assets					
Financial assets	11	-	-	100	100
Property, plant and equipment	13	97,072	90,435	97,072	90,435
Intangible assets	14	5,613,910	5,119,622	5,613,910	5,119,622
Total non-current assets		5,710,982	5,210,057	5,711,082	5,210,157
Total assets		8,307,412	6,516,686	8,303,493	6,512,407
Current liabilities					
Trade and other payables	15	948,795	746,827	948,795	746,827
Interest bearing liabilities	16	669,170	666,555	669,170	666,555
Deferred income	17	435,241	-	435,241	-
Short-term provisions	18	82,770	60,048	82,770	60,048
Total current liabilities		2,135,976	1,473,430	2,135,976	1,473,430
Non-current liabilities					
Interest bearing liabilities	16	9,035	778,272	9,035	778,272
Long-term provisions	18	37,469	38,410	37,469	38,410
Total non-current liabilities		46,504	816,682	46,504	816,682
Total liabilities		2,182,480	2,290,112	2,182,480	2,290,112
Net assets		6,124,932	4,226,574	6,121,013	4,222,295
Equity					
Issued capital	19	2,108,792	2,108,792	2,108,792	2,108,792
Retained earnings		4,016,140	2,117,782	4,012,221	2,113,503
Total equity		6,124,932	4,226,574	6,121,013	4,222,295

Statements of changes in equity

For year ended 30 June 2007

	Note	Share Capital \$	Retained earnings \$	Total \$
Economic Entity				
Balance at 1 July 2005	2	1,676,470	1,059,239	2,735,709
Net income recognised directly in equity				
Profit attributable to members of parent entity		-	1,058,543	1,058,543
Total recognised income and expense for the period		-	1,058,543	1,058,543
New shares issued		432,322	-	432,322
Balance at 30 June 2006		2,108,792	2,117,782	4,226,574
Net income recognised directly in equity				
Profit attributable to members of parent entity		-	1,898,359	1,898,359
Total recognised income and expense for the period		-	1,898,359	1,898,359
Balance at 30 June 2007		2,108,792	4,016,141	6,124,933
Parent Entity				
Balance at 1 July 2005	2	1,676,470	1,837,703	3,514,173
Net income recognised directly in equity				
Profit attributable to members of parent entity		-	275,799	275,799
Total recognised income and expense for the period		-	275,799	275,799
New shares Issued		432,322	-	432,322
Balance at 30 June 2006		2,108,792	2,113,502	4,222,294
Net income recognised directly in equity				
Profit attributable to members of parent entity		-	1,898,719	1,898,719
Total recognised income and expense for the period		-	1,898,719	1,898,719
Balance at 30 June 2007		2,108,792	4,012,221	6,121,013

These financial statements should be read in conjunction with the accompanying notes.

Cash flow statements

For year ended 30 June 2007

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Cash flow from operating activities					
Receipts from customers		7,515,321	4,964,778	7,515,321	4,964,778
Payments to suppliers and employees		(3,975,423)	(4,221,529)	(3,975,063)	(4,237,089)
Interest received		24,568	16,155	24,568	16,155
Finance costs		(49,532)	(35,424)	(49,532)	(35,424)
Net cash provided by operating activities	22a	3,514,934	723,980	3,515,294	708,420
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		-	15,977	-	15,977
Purchase of property, plant and equipment		(32,033)	(37,965)	(32,033)	(37,965)
Purchase of intangibles		(1,733,995)	(1,657,839)	(1,733,995)	(1,657,839)
Proceeds from repayments		-	-	-	19,066
Net cash used in investing activities		(1,766,028)	(1,679,827)	(1,766,028)	(1,660,761)
Cash flow from financing activities					
Proceeds from borrowings		-	490,000	-	490,000
Repayment of borrowings		(385,406)	(127,979)	(385,406)	(127,979)
Dividends paid					
Net cash provided by (used in) financing activities		(385,406)	362,021	(385,406)	362,021
Net increase in cash held		1,363,500	(593,826)	1,363,860	(590,320)
Cash at beginning of financial year		(244,639)	349,187	(249,018)	341,302
Cash at end of financial year	8	1,118,861	(244,639)	1,114,842	(249,018)

Notes to the financial statements

For the year ended 30 June 2007

Note 1: Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including the Interpretations), other authoritative pronouncements of the AASB and the Corporations Act 2001.

The financial report covers the economic entity of Clean TeQ Pty Ltd as an individual parent entity and Clean TeQ Pty Ltd and Resix Pty Ltd, a controlled entity, as an economic entity. Clean TeQ Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

Australian Accounting Standards include Australian Equivalent to International Financial Reporting Standards (AIFRS). The financial report of Clean TeQ Pty Ltd and the controlled entity and Clean TeQ Pty Ltd as an individual parent entity complies with AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of Clean TeQ Pty Ltd comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132: Financial Instruments: Disclosure and Presentation.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report.

Basis of Preparation

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

Clean TeQ Pty Ltd and the controlled entities, and Clean TeQ Pty Ltd as an individual parent entity have prepared financial statements in accordance with the AIFRS from 1 July 2006.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2006 comparative figures. No optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Clean TeQ Pty Ltd to be prepared in accordance with AIFRS.

The accounting policies set out below have been consistently applied to all years presented.

Reconciliations of the transition from previous Australian GAAP to IFRS have been included in Note 2 to this report. Prior to this reporting period, the group did not apply all the measurement standards in the preparation of financial reports.

Note 1: Statement of significant accounting policies (cont)

Reporting Basis and Conventions

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

Accounting Policies

a. Principles of consolidation

A controlled entity is any entity Clean TeQ Pty Ltd has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a June financial year end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

b. Income tax

The charge for current income tax expense is based on the profit for the year adjusted for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. At year end, no such deferred income tax assets were recognised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Clean TeQ Pty Ltd and its wholly-owned Australian controlled entity have implemented the tax consolidation legislation.

The head entity, Clean TeQ Pty Ltd, and the controlled entity in their tax consolidation group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone tax payer in its own right.

Note 1: Statement of significant accounting policies (cont)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the funding agreements are recognised as a contribution to (or distribution from) wholly-owned consolidated entities.

c. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

d. Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets is depreciated on a straight line basis over their useful lives to the economic entity commencing. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	15–40%
Leased plant and equipment	18.75%

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 the carrying amount. These gains or losses are included in the income statement.

Note 1: Statement of significant accounting policies (cont)

e. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases are expensed on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

f. Financial instruments

Recognition

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

Loans and receivables

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

Financial liabilities and payables

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. Interest is recognised using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Note 1: Statement of significant accounting policies (cont)

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

g. Impairment of assets

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

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

h. Intangibles

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

For development costs relating to pre-commercialised products, no amortisation has been recorded. Development costs on commercialised products have a finite life and are amortised over the life of the expected return.

Patents

Patents are amortised over a 20 year period in line with the expected benefits.

i. Employee benefits

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

j. Provisions

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

k. Cash and cash equivalents

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

Note 1: Statement of significant accounting policies (cont)

l. Revenue

The group recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity.

Sale of Developed Units

Revenue is recognised for units developed once the right to receive the revenue has been obtained. This is usually when the risks and rewards of the units developed have passed to the purchaser and there are no further obligations attaching to the use of the developed unit.

Patents

Revenue is recognised where the right to use technology has been given to third parties and there are no further obligations of the company to perform any further services. The revenue is recognised at the time the technology is given to the third party, even if it is only for a specified period.

Licences

Revenue in respect of licences to use technology by third parties is recognised over the period of the licence.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established.

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

m. Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them to the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant & equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight line basis over the expected lives of the assets.

n. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed.

o. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

p. Comparative figures

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

Critical accounting estimates and judgments

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

Revenue Recognition

In line with the group's accounting policy on revenue recognition for units developed, contracts have been entered into where the group has to perform further activities. Where the revenue will only be earned based on the outcome of these future activities, revenue has not been recognised.

Intangible Assets – Research and Development Costs

The group has capitalised all additional expenditure on further developing existing technology. The capitalisation of this expenditure is based on feasibility studies as to the usefulness of the products, in some cases in unknown markets. Therefore significant judgement has been made as to what intangible assets have a finite life, and which have indefinite useful lives.

Where the product is still in the development phase or not yet sold, estimates of its recoverable amount are based on assumptions that may change in the future. Any changes in these assumptions may affect the current carrying value of the intangible assets.

Where the intangible assets have an estimated finite life, the intangible asset is amortised over this expected life. This estimate may change in the future based on future use and knowledge, which could have a material impact on these financial statements.

Adoption of new and revised accounting standards

In the current year Clean TeQ Pty Ltd has adopted all new and revised accounting standards and Interpretations issued by the AASB effective for reporting periods beginning on or after 1 July 2006. The adoption of these new and revised accounting standards and Interpretations has not resulted in any change in the accounting policies of Clean TeQ Pty Ltd nor the amounts presented for current or prior years.

A number of revised accounting standards and Interpretations have been issued by the AASB which are not yet effective. Of these, only the following will have an impact on the accounts of Clean TeQ Pty Ltd when adopted:

- AASB 7 Financial Instruments: Disclosures
- AASB 101 Presentation of Financial Statements – revised standard
- AASB 2005-10 Amendment to Australian Accounting Standards
- AASB 8 Operating Segments

None of the above standards will have an impact on the amounts reported by Clean TeQ Pty Ltd in the financial statements however, adoption of AASB 7, AASB 101 (revised) and AASB 2005-10 will result in a change in the disclosures currently made by Clean TeQ Pty Ltd in relation to the company's financial instruments and objectives, processes and policies for managing capital. Adoption of AASB 8 will result in Clean TeQ Pty Ltd making disclosures in relation to operating segments instead of business and geographical segments.

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards

	Note	Previous GAAP at 1 July 2005	Adjustment	Aust Equivalents to IFRS at 1 July 2005
		\$	\$	\$
Economic Entity				
Reconciliation of equity at 1 July 2005				
Current assets				
Cash and cash equivalents		491,773	-	491,773
Trade and other receivables		844,927	-	844,927
Inventories	2a	125,209	(90,209)	35,000
Total current assets		1,461,909	(90,209)	1,371,700
Non-current assets				
Financial assets	2b	95	(95)	-
Property, plant and equipment	2c	696,645	(504,216)	192,429
Intangible assets	2d	2,484,841	856,998	3,341,839
Total non-current assets		3,181,581	352,687	3,534,268
Total assets		4,643,490	262,478	4,905,968
Current liabilities				
Trade and other payables		545,993	-	545,993
Interest bearing liabilities		152,371	-	152,371
Deferred income		340,807	-	340,807
Short-term provisions		46,088	-	46,088
Total current liabilities		1,085,259	-	1,085,259
Non-current liabilities				
Interest bearing liabilities		1,085,000	-	1,085,000
Total non-current liabilities		1,085,000	-	1,085,000
Total liabilities		2,170,259	-	2,170,259
Net assets		2,473,231	262,478	2,735,709
Equity				
Issued capital		1,676,470	-	1,676,470
Retained earnings		796,761	262,478	1,059,239
Total equity		2,473,231	262,478	2,735,709

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont)

	Note	Previous GAAP at 1 July 2005	Adjustment	Aust Equivalents to IFRS at 1 July 2005
		\$	\$	\$
Parent Entity				
Reconciliation of equity at 1 July 2005				
Current assets				
Cash and cash equivalents		483,988	-	483,988
Trade and other receivables		947,258	-	947,258
Inventories		35,000	-	35,000
Total current assets		1,466,246	-	1,466,246
Non-current assets				
Financial assets	2b	195	(95)	100
Property, plant and equipment	2c	696,645	(504,216)	192,429
Intangible assets	2d	2,462,690	879,148	3,341,838
Total non-current assets		3,159,530	374,837	3,534,367
Total assets		4,625,776	374,837	5,000,613
Current liabilities				
Trade and other payables		562,174	-	562,174
Interest bearing liabilities		152,371	-	152,371
Deferred income		340,807	-	340,807
Short-term provisions		46,088	-	46,088
Total current liabilities		1,101,440	-	1,101,440
Non-current liabilities				
Interest bearing liabilities		385,000	-	385,000
Total non-current liabilities		385,000	-	385,000
Total liabilities		1,486,440	-	1,486,440
Net assets		3,139,336	374,837	3,514,173
Equity				
Issued capital		1,676,470	-	1,676,470
Retained earnings		1,462,866	374,837	1,837,703
Total equity		3,139,336	374,837	3,514,173

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont)

	Note	Previous GAAP at 30 June 2006	Adjustment on introduction of Aust Equivalents to IFRS	Aust Equivalents to IFRS at 30 June 2006
		\$	\$	\$
Economic Entity				
Reconciliation of equity at 30 June 2006				
Current assets				
Cash and cash equivalents		136,578	-	136,578
Trade and other receivables		1,091,784	-	1,091,784
Inventories	2a, 2e	203,476	(125,209)	78,267
Total current assets		1,431,838	(125,209)	1,306,629
Non-current assets				
Financial assets	2b	95	(95)	-
Property, plant and equipment	2c, 2f	545,543	(455,108)	90,435
Intangible assets	2d, 2g	3,604,105	1,515,517	5,119,622
Total non-current assets		4,149,743	1,060,314	5,210,057
Total assets		5,581,581	935,105	6,516,686
Current liabilities				
Trade and other payables		746,827	-	746,827
Interest bearing liabilities		666,555	-	666,555
Short-term provisions		60,048	-	60,048
Total current liabilities		1,473,430	-	1,473,430
Non-current liabilities				
Interest bearing liabilities		778,272	-	778,272
Long-term provisions	2h	-	38,410	38,410
Total non-current liabilities		778,272	38,410	816,682
Total liabilities		2,251,702	38,410	2,290,112
Net assets		3,329,879	896,695	4,226,574
Equity				
Issued capital		2,108,792	-	2,108,792
Retained earnings		1,221,087	896,695	2,117,782
Total equity		3,329,879	896,695	4,226,574

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont)

	Note	Previous GAAP at 30 June 2006	Adjustment on introduction of Aust Equivalents to IFRS	Aust Equivalents to IFRS at 30 June 2006
		\$	\$	\$
Parent Entity				
Reconciliation of equity at 30 June 2006				
Current assets				
Cash and cash equivalents		132,199	-	132,199
Trade and other receivables	2i	1,875,049	(783,265)	1,091,784
Inventories	2e	113,267	(35,000)	78,267
Total current assets		2,120,515	(818,265)	1,302,250
Non-current assets				
Financial assets	2b	195	(95)	100
Property, plant and equipment	2c, 2f	545,543	(455,108)	90,435
Intangible assets	2d, 2g	3,581,955	1,537,667	5,119,622
Total non-current assets		4,127,693	1,082,464	5,210,157
Total assets		6,248,208	264,199	6,512,407
Current liabilities				
Trade and other payables		746,827	-	746,827
Interest bearing liabilities		666,555	-	666,555
Short-term provisions		60,048	-	60,048
Total current liabilities		1,473,430	-	1,473,430
Non-current liabilities				
Interest bearing liabilities		778,272	-	778,272
Long-term provisions	2h	-	38,410	38,410
Total non-current liabilities		778,272	38,410	816,682
Total liabilities		2,251,702	38,410	2,290,112
Net assets		3,996,506	225,789	4,222,295
Equity				
Issued capital		2,108,792	-	2,108,792
Retained earnings		1,887,714	225,789	2,113,503
Total equity		3,996,506	225,789	4,222,295

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont)

	Note	Previous GAAP	Effect of Transition to Aust Equivalents to IFRS	Aust Equivalents to IFRS
		\$	\$	\$
Economic Entity				
Reconciliation of income statement for 2006				
Revenues from ordinary activities		5,461,097	-	5,461,097
Other revenue		107,763	-	107,763
Changes in inventories of finished goods and work in progress	2e	78,267	35,000	43,267
Raw materials and consumables used	(i)	(3,108,575)	(263,307)	(2,845,268)
Employee benefits expense	2h	(1,543,976)	38,410	(1,582,386)
Depreciation and amortisation expense	(ii)	(209,014)	(169,053)	(39,961)
Finance costs		(35,424)	-	(35,424)
Other expenses from ordinary activities	(iii)	(325,810)	(275,265)	(50,545)
Profit before income tax expense		424,328	634,215	1,058,543
Income tax expense		-	-	-
Profit after related income tax expense		424,328	634,215	1,058,543
Profit for the year				
Profit attributable to members of the parent entity		424,328	634,215	1,058,543

	Note	Previous GAAP	Effect of Transition to Aust Equivalents to IFRS	Aust Equivalents to IFRS
		\$	\$	\$
Parent Entity				
Reconciliation of income statement for 2006				
Revenues from ordinary activities		5,460,140	-	5,460,140
Other revenue		107,763	-	107,763
Changes in inventories of finished goods and work in progress	2e	78,267	35,000	43,267
Raw materials and consumables used	(i)	(3,108,435)	(263,307)	(2,845,128)
Employee benefits expense	2h	(1,543,976)	38,410	(1,582,386)
Depreciation and amortisation expense	(ii)	(209,014)	(169,053)	(39,961)
Finance costs		(35,424)	-	(35,424)
Impairment of financial assets	2i	-	(783,265)	(783,265)
Other expenses from ordinary activities	(iii)	(324,473)	(275,265)	(49,208)
Profit before income tax expense		424,848	(149,050)	275,798
Income tax expense		-	-	-
Profit after related income tax expense		424,848	(149,050)	275,798
Profit for the year				
Profit attributable to members of the parent entity		424,848	(149,050)	275,798

(i) In accordance with AASB 138, development costs have been transferred from the income statement to the intangible assets account on the balance sheet.

(ii) In accordance with AASB 138, pilot plants constructed for development activities have been moved from plant & equipment to intangibles assets. Depreciation relating to these pilot plants for 2006 was \$180,958. In accordance with AASB 138, patents have been amortised (\$11,905).

(iii) In accordance with AASB 138, legal fees related to development activities have been transferred to the income statement (\$82,344). In accordance with AASB 138, development costs have been transferred from the income statement to the intangible assets account on the balance sheet (\$357,609)

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont)

Previous GAAP amounts were prepared under special purposes reporting guidelines. None of these adjustments represent differences between Australian Accounting Standards applying prior to 1 January 2005 and AIFRS.

Reconciliation of Equity at 1 July 2005	Economic Entity	Parent Entity
	\$	\$
a. In accordance with AASB 102, inventory has been written down to net realisable value	(90,209)	-
b. Company liquidated in which shares were held	(95)	(95)
c. In accordance with AASB 138, pilot plants constructed for development activities have been moved from plant & equipment to intangibles assets.	(504,216)	(504,216)
d. In accordance with AASB 138, development costs have been transferred from the income statement to the intangible assets account on the balance sheet.	606,837	606,837
In accordance with AASB 138, legal fees related to development activities have been transferred to the income statement.	(109,961)	(87,811)
Write-off Biological Air Purification licence now expired	(250,000)	(250,000)
In accordance with AASB 138, pilot plants constructed for development activities have been moved from plant & equipment to intangibles assets	610,613	610,613
In accordance with AASB 138, patents have been amortised.	(491)	(491)
Total as at 1st July 2005	262,478	374,837
e. In accordance with AASB 102, inventory has been re-valued at net realisable value	(35,000)	(35,000)
f. In accordance with AASB 138, pilot plants constructed for development activities have been moved from plant & equipment to intangibles assets.	49,108	49,108
g. According to AASB 138, development costs have been transferred from the income statement to the intangible assets account on the balance sheet.	620,916	620,916
In accordance with AASB 138, legal fees related to development activities have been transferred to the income statement.	(82,342)	(82,342)
In accordance with AASB 138, pilot plants constructed for development activities have been moved from plant & equipment to intangibles assets	131,850	131,850
In accordance with AASB 138, patents have been amortised.	(11,905)	(11,905)
h. In accordance with AASB 119, long service leave provision has been recorded	(38,410)	(38,410)
i. In accordance with AASB 136, subsidiary receivable loan has been impaired	-	(783,265)
Total as at 30th June 2006	896,695	225,789

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

Note 3: Revenue and other income

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenue					
Sale of goods		6,999,450	5,444,768	6,999,450	5,443,985
Interest received	3a	24,568	16,329	24,568	16,155
Sundry Income		750	-	750	-
Total Revenue		7,024,768	5,461,097	7,024,768	5,460,140
Other income					
Gain on disposal of property, plant and equipment		-	263	-	263
Government grants		-	107,500	-	107,500
Other Income		-	107,763	-	107,763
a. Interest revenue from					
- other corporations		24,568	16,329	24,568	16,155
Total interest revenue		24,568	16,329	24,568	16,155

Note 4: Profit from Ordinary Activities

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Expenses					
Cost of sales		1,736,490	2,802,001	1,736,490	2,801,861
Finance costs					
- external		29,400	15,600	29,400	15,600
- other related parties		20,132	19,824	20,132	19,824
Total finance costs		49,532	35,424	49,532	35,424
Impairment of financial assets	4a	-	-	-	783,265
Rental expense on operating leases					
- minimum lease payments		123,469	126,283	123,469	126,283
Total operating lease expense		123,469	126,283	123,469	126,283
Amortisation of capitalised development costs		1,225,117	-	1,225,117	-

a. This impairment is to a financial asset in the form of a loan to a wholly owned subsidiary. The directors have determined that since the subsidiary has a deficiency of net assets and is currently unprofitable, it is unlikely that this loan will be recouped in whole or in part.

Note 5: Income Tax Expense

Note	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
a. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)	569,508	317,563	569,617	82,740
Tax effect of:				
- non-deductible depreciation and amortisation and impairments	371,912	4,276	371,912	239,255
- movement in employee provisions	(2,014)	16,013	(2,014)	16,013
- other non-allowable items	7,476	35,202	7,476	35,202
- tax depreciation	(119,398)	(54,287)	(119,398)	(54,287)
- R&D tax concessions	(974,941)	(405,210)	(974,941)	(405,210)
- tax losses not recognised	147,457	86,443	147,348	86,287
Income tax expense	-	-	-	-

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
b. Tax Losses:				
Deductible temporary differences for which no deferred tax asset has been recognised	1,335,173	386,603	1,334,273	386,083
Assessable temporary differences for which no deferred tax liability has been recognised	(555,480)	(98,458)	(555,480)	(98,458)
Net unused tax losses for which no deferred tax asset has been recognised	779,693	288,145	778,793	287,625
Potential tax benefit at 30%	233,907	86,443	233,638	86,287
All unused tax losses were incurred by Australian entities.				

For the purposes of tax consolidation, all tax losses are immediately transferred to the head entity.

In accordance with accounting policy Note 1(b) tax losses (deferred tax assets) have not been brought to account.

Note 6: Key Management Personnel Compensation

The following persons were executive directors of Clean TeQ Pty Ltd during the financial year:

Peter Leonard Voigt
 Greg Leonard Toll
 Jeremy Carter

There were no other key management personnel who had authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, during the financial year.

Key Management Personnel Compensation

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	533,121	410,000	533,121	410,000
Post-employment benefits	49,162	36,900	49,162	36,900
Total remuneration	582,283	446,900	582,283	446,900

Note 6: Key Management Personnel Compensation (cont)

Key Management Personnel Share Holdings

2007 and 2006

The number of shares in the company held during the financial year by each director of Clean TeQ Pty Ltd, including their related parties, are set out below. There were no changes in director's shareholdings for 2006 and 2007.

Directors of Clean TeQ Pty Ltd	Balance at start and end of year
Thierville Pty Limited	685,186
Toll Associates Pty Ltd	266,532
Jeremy's Haven Pty Ltd	199,660
Total	1,151,378

Loans from Key Management Personnel

Details of loans from directors of Clean TeQ Pty Ltd, including their related parties, are set out below.

Group	Balance at start of year	Interest paid for the year	Balance at end of year	Number in the group at the end of the year
2007	275,000	20,133	-	3
2006	385,000	18,169	275,000	3

Note 7: Auditors' Remuneration

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Remuneration of the auditor for:				
- auditing or reviewing the financial report	28,000	-	28,000	-
Total remuneration for audit services	28,000	-	28,000	-

Note 8: Cash Assets

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Cash at bank and in hand		1,045,076	5,925	1,041,057	1,546
Short-term bank deposits		73,785	130,653	73,785	130,653
		1,118,861	136,578	1,114,842	132,199

The effective interest rate on short-term bank deposits at 30 June 2007 was 5% (2006: 5.4%); these deposits have an average maturity of 90 days.

Reconciliation of cash
 Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows:

Cash and cash equivalents		1,118,861	136,578	1,114,842	132,199
Bank overdrafts	16	-	(381,217)	-	(381,217)
		1,118,861	(244,639)	1,114,842	(249,018)

Note 9: Trade and Other Receivables

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Current					
Trade receivables		1,010,261	1,090,345	1,010,261	1,090,345
Sundry receivables		1,643	1,439	1,643	1,439
		1,011,904	1,091,784	1,011,904	1,091,784
Non-current					
Amounts receivable from wholly-owned subsidiary	(a)	-	-	783,265	783,265
Provision for impairment of receivables		-	-	(783,265)	(783,265)
		-	-	-	-

(a) This is a financial asset in the form of a loan to a wholly owned subsidiary. The directors have determined that since the subsidiary has a deficiency of net assets and is currently unprofitable, it is unlikely that this loan will be recouped in whole or in part.

Note 10: Inventories

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Current				
- Raw materials – at net realisable value	332,050	-	332,050	-
- Finished goods – at cost	82,877	78,267	82,877	78,267
- Stock in Transit – at cost	50,738	-	50,738	-
	465,665	78,267	465,665	78,267

The balance of raw materials as at 30 June 2007 includes \$608,013 (cost) of grape skin extract. Management has determined that the net realisable value of these raw materials is \$332,050.

Note 11: Financial Assets

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Unlisted investments, at cost - shares in controlled entities	-	-	100	100
Total available-for-sale financial assets	-	-	100	100

Note 12: Controlled Entities

	Country of Incorporation		Percentage Owned (%)	
	2007	2006	2007	2006
a. Controlled Entities Consolidated				
Resix Pty Ltd – ordinary shares	Australia	Australia	100%	100%

Note 13: Plant and Equipment

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Plant and equipment				
Plant and equipment				
At cost	157,624	127,086	157,624	127,086
Accumulated depreciation	(77,121)	(57,043)	(77,121)	(57,043)
	80,503	70,043	80,503	70,043
Leased plant and equipment				
Capitalised leased assets	23,662	23,662	23,662	23,662
Accumulated depreciation	(7,093)	(3,270)	(7,093)	(3,270)
Total plant and equipment	16,569	20,392	16,569	20,392
Total plant and equipment	97,072	90,435	97,072	90,435

- a. Movements in Carrying Amounts**
 Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment	Leased Plant and Equipment	Total
	\$	\$	\$
Balance at 1 July 2005	40,986	14,497	55,483
Additions	49,966	23,662	73,628
Disposals	-	(13,588)	(13,588)
Depreciation expense	(20,909)	(4,179)	(25,088)
Carrying amount at 30 June 2006	70,043	20,392	90,435
Additions	32,034	-	32,034
Depreciation expense	(21,574)	(3,823)	(25,397)
Carrying amount at 30 June 2007	80,503	16,569	97,072

Note 14: Intangible Assets

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Research & Development				
Cost	6,553,034	4,872,768	6,553,034	4,872,768
Accumulated amortisation	(1,225,117)	-	(1,225,117)	-
Net carrying value	5,327,917	4,872,768	5,327,917	4,872,768

Reconciliation of Research & Development				
Balance at the beginning of year	4,872,768	3,443,206	4,872,768	3,443,206
Additions	1,680,266	1,429,562	1,680,266	1,429,562
Amortisation charge	(1,225,117)	-	(1,225,117)	-
Closing carrying value at 30 June	5,327,917	4,872,768	5,327,917	4,872,768

Development costs that relate to the pre-commercialisation of a product have not been amortised. To the extent that revenue is derived from development costs, amortisation has been recognised. The recoverable amount of the intangible assets with an indefinite useful life has been tested for impairment based on value in use. Future cash flows have been estimated based on expected revenue to be derived based on past units sold and the market demand for such units.

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Patents				
Cost	291,827	238,098	291,827	238,098
Accumulated amortisation	(26,987)	(12,396)	(26,987)	(12,396)
Net carrying value	264,840	225,702	264,840	225,702

Reconciliation of Patents				
Balance at the beginning of year	225,702	9,330	225,702	9,330
Additions	53,729	228,277	53,729	228,277
Amortisation charge	(14,591)	(11,905)	(14,591)	(11,905)
Closing carrying value at 30 June	264,840	225,702	264,840	225,702

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Licences				
Cost	21,152	21,152	21,152	21,152
Accumulated impairment losses	-	-	-	-
Net carrying value	21,152	21,152	21,152	21,152

Reconciliation of Licences				
Balance at the beginning of year	21,152	21,152	21,152	21,152
Closing carrying value at 30 June	21,152	21,152	21,152	21,152

Total Intangible Assets	5,613,910	5,119,622	5,613,910	5,119,622
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Note 15: Trade and other payables

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Current				
Unsecured liabilities				
Trade payables	920,244	745,277	920,244	754,277
Sundry payables and accrued expenses	28,551	1,550	28,551	1,550
	948,795	746,827	948,795	746,827

Note 16: Interest bearing liabilities

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Current					
Bank overdraft	16a	-	381,217	-	381,217
Lease liability		11,492	10,338	11,491	10,338
Other loans	16b/24	657,678	275,000	657,678	275,000
		669,170	666,555	669,170	666,555
Non-current					
Lease liability		9,035	20,594	9,035	20,594
Other loans	16b/24	-	757,678	-	757,678
		9,035	778,272	9,035	778,272

- a. The bank overdraft is secured by a fixed and floating charge over the business and by Director guarantees.
- b. The other loans relate to amounts lent from related parties.

Note 17: Deferred Income

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Deferred Income	435,241	-	435,241	-
	435,241	-	435,241	-

The deferred income as at 30 June 2007 relates to Air Pollution Control sales contracts for which income had been received for projects that were incomplete at the end of the financial year.

Note 18: Provisions

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Analysis of total provisions				
Employee Benefits				
Current	82,770	60,048	82,770	60,048
Non-Current	37,469	38,410	37,469	38,410
	120,239	98,458	120,239	98,458

Note 19: Issued Capital

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
1,544,009 (2006: 1,544,009) fully paid ordinary shares	2,108,792	2,108,792	2,108,792	2,108,792
	2,108,792	2,108,792	2,108,792	2,108,792

Note 20: Capital and Leasing Commitments

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Finance Lease Commitments				
Payable — minimum lease payments				
- not later than 12 months	12,916	13,013	12,916	13,013
- between 12 months and five years	9,556	22,641	9,556	22,641
- greater than five years	-	-	-	-
	22,472	35,654	22,472	35,654
Minimum lease payments				
Less future finance charges	(1,946)	(4,721)	(1,946)	(4,721)
Present value of minimum lease payments	20,526	30,933	20,526	30,933

The finance leases are for a Transit Van and Forklift. The Transit Van lease commenced on 4th October 2005 for a 4-year term. The Forklift lease commenced on 27th July 2005 for a 3 year term.

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable — minimum lease payments				
- not later than 12 months	125,250	121,073	125,250	121,073
- between 12 months and five years	252,092	377,342	252,092	377,342
- greater than five years	-	-	-	-
	377,342	498,415	377,342	498,415

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Rental provisions within the lease agreement require that the minimum lease payments shall be increased by 3.5% per annum and building outgoings by 3% per annum. An option exists to renew the lease at the end of the five-year term for an additional term of five years. The lease allows for subletting of all lease areas with the Landlord's consent.

Note 21: Segment Reporting

The entity operates predominantly in one business and geographical segment being the development of extractive processes for industry throughout Australia.

Note 22: Cash Flow Information

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax				
Profit from ordinary activities after income tax	1,898,359	1,058,543	1,898,719	275,798
Depreciation and amortisation	1,265,105	39,961	1,265,105	39,961
Impairment of investments				783,265
Net gain on disposal of property, plant and equipment	-	(263)	-	(263)
Increase/(decrease) in trade and term debtors	79,880	(246,857)	79,880	(246,857)
Decrease in other assets	-	3,565	-	3,565
Increase/(decrease) in inventories	(387,398)	(43,267)	(387,398)	(43,267)
(Increase)/decrease in payables	201,966	200,735	201,966	184,655
(Increase)/decrease in deferred income	435,241	(340,807)	435,241	(340,807)
Increase/(decrease) in provisions	21,781	52,370	21,781	52,370
	3,514,934	723,980	3,515,294	708,420

Non-cash Financing and Investing Activities

Property, plant and equipment:
 During the financial year, the economic entity acquired plant and equipment of \$39,228 by means of hire purchase agreements. These acquisitions are not reflected in the statement of cash flows.

Note 23: Events After the Balance Sheet Date

There have been no material after balance sheet date events.

Note 24: Related Party Transactions

The following transactions occurred with related parties:

Loans from related parties

Economic and Parent Entity Related Party	Outstanding Balance		Interest Paid	
	2007	2006	2007	2006
	\$	\$	\$	\$
Commonly Controlled Entities	657,678	757,678	-	-
Key Management Personnel	-	275,000	20,133	18,169
	657,678	1,032,678	20,133	18,169

Loans to related parties

Parent Entity Related Party	Outstanding Balance		Interest Received	
	2007	2006	2007	2006
	\$	\$	\$	\$
Subsidiary	-	783,265	-	-
Less: Impairment of Loan	-	(783,265)	-	-
	-	-	-	-

The directors have determined that since the subsidiary has a deficiency of net assets and is currently unprofitable, it is unlikely that this loan will be recouped in whole or in part.

Note 25: Financial Instruments

a. Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

The main purpose of non-derivative financial instruments is to raise finance for group operations. The group does not have any derivative instruments at 30 June 2007.

i. Treasury Risk Management

A finance committee consisting of senior executives of the group meet on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2007 approximately 98% of group debt is fixed. It is the policy of the group to keep between 65% and 100% of debt on fixed interest rates. For further details on interest rate risk refer to Note 25(b).

Foreign currency risk

The group is not exposed to fluctuations in foreign currencies.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

Price risk

The group is not exposed to any material commodity price risk.

b. Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

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 Notes to the financial statement for the year ended 30 June 2007

Note 25: Financial Instruments (cont)

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Within 1 Year (Paid within 1 year)		Fixed Interest Rate 1 to 5 years		Non-interest Bearing		Total
	2007 %	2006 %	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	
Financial Assets											
Cash and cash equivalents	6.09%	5.17%	1,118,861	136,478	-	-	-	-	-	-	1,118,861
Receivables			-	-	-	-	-	-	1,011,904	1,091,784	1,011,904
Total Financial Assets			1,118,861	136,478	-	-	-	-	1,011,904	1,091,784	2,130,765
Financial Liabilities											
Bank overdraft secured	10.99%		-	381,217	-	-	-	-	-	-	-
Loans from related parties	6.25%		-	-	-	275,000	-	-	657,678	757,678	657,678
Trade and other payables			-	-	-	-	-	-	948,795	746,727	948,795
Lease Liabilities	9.53%	11.58%	-	-	11,492	10,338	9,035	20,594	-	-	20,527
Total Financial Liabilities			-	381,217	11,492	285,338	9,035	20,594	1,606,473	1,504,405	1,627,000
											2,191,554

Note 25: Financial Instruments (cont)

c. Net Fair Values

For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form.

Note 26: Company Details

The registered office of the company is:

77 Station Street
Malvern Vic 3144

The principal place of business is:

Clean TeQ Pty Limited
270 Hammond Rd
Dandenong South Vic 3175

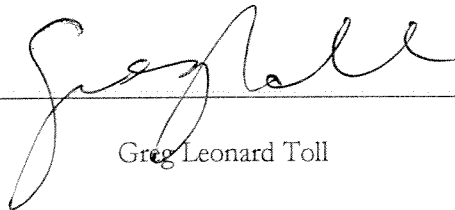
Directors' declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 33, are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standards and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the company and economic entity.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director



Greg Leonard Toll

Dated this 9th day of August 2007



BDO Kendalls

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ABN 17 114 673 540

INDEPENDENT AUDITOR'S REPORT

To the members of Clean TeQ Pty Ltd

Report on the Financial Report

We have audited the accompanying financial report of Clean TeQ Pty Ltd (the company), which comprises the balance sheet as at 30 June 2007, 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, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, comply 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

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

Auditor's Opinion

In our opinion the financial report of Clean TeQ Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(c) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

BDO Kendalls Audit & Assurance (VIC) Pty Ltd
Chartered Accountants

Nicholas E. Burne
Director

Melbourne
9 August 2007