QED Occtech

Limited

ABN 98 057 335 672

2005 ANNUAL REPORT

QED OCCTECH LIMITED AND ITS CONTROLLED ENTITIES

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

QED OCCTECH LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report on QED Occtech Limited ("QED" or "Company" or "Parent Entity") and of the consolidated entity, being QED and the entities it controlled for the year ended 30 June 2005 ("Consolidated Entity").

DIRECTORS

The names and details of the Directors of QED during the financial year and until the date of this report are (unless otherwise disclosed, directors held their office from 1 July 2004 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
Executive Director

Mr Ian Middlemas is a Chartered Accountant and has been in commerce for twenty years holding senior executive positions and directorships in a number of public companies. He originally worked for Arthur Andersen before joining the Normandy Group where he was a Senior Group Executive for approximately ten years. Mr Middlemas has considerable corporate, financial and management expertise. He is a Member of the Securities Institute of Australia.

During the three year period to the end of the financial year, Mr Middlemas has held directorships in Renewable Energy Corporation Ltd (November 1995 - present), OmegaCorp Ltd (October 2000 - present), Berkeley Resources Ltd (July 2003 - present), Echelon Resources Ltd (May 2002 - present), Leyshon Resources Ltd (November 2001 - present), Carpenter Pacific Resources Limited (August 2004 - December 2004), Stirling Products Ltd (April 2003 - February 2004), Agincourt Resources Ltd (October 2001 - December 2004) and Olea Australis Ltd (October 1999 - November 2004).

Mr Mark L Pearce
Non-Executive Director and Company Secretary

Mark Pearce is a Chartered Accountant and currently holds the position of Company Secretary and/or director for a number of publicly listed companies. Prior to this he worked for several large international Chartered Accounting firms and he has been in commerce for over 12 years. Mr Pearce has considerable financial and corporate expertise. He is a fellow of Chartered Secretaries Australia. 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 - present), Leyshon Resources Limited (November 2001 - present), Renewable Energy Corporation Limited (February 2002 - present), Echelon Resources Limited (May 2002 - present), Berkeley Resources Limited (July 2003 - present), Central Asia Gold Limited (November 2000 – January 2004), M Health Limited (July 2002 – September 2003), Stirling Products Limited (April 2003 - February 2004), and Carpenter Pacific Resources Limited (August 2004 - December 2004).

Mr Ivan Bristow and Mr Peter Macintosh were directors of the company until their resignation on 8 November 2004.

REVIEW OF OPERATIONS

The operating loss of QED for the year ended 30 June 2005 was $2,436,871 (30 June 2004: $6,094,764).

During the financial year, the Consolidated Entity obtained shareholder approval to outsource further commercialisation of its proprietary technologies. This resulted in the sale of the Consolidated Entity's subsidiaries and related operational assets (excluding intellectual property and a number of key items of plant and equipment) and liabilities to the then executive directors of the Consolidated Entity. The net result of this sale, included in the operating loss above, was a loss of $1,205,257. Details of the transaction are included in Note 26 to the Financial Statements.

The Consolidated Entity has retained ownership of its proprietary technologies and has entered into agreements to licence the intellectual property to third parties, earning royalties from successful commercialisation. Currently the Consolidated Entity receives a minimum royalty of $100,000 per annum.

The Consolidated Entity also examined a number of other new technology based opportunities that focused on commercialisation of existing technology. As a result, the Consolidated Entity acquired a 35% interest in Transaction Solutions International Pty Ltd ("TSI"), which is a technology company focusing on the deployment of hardware within the Asian market to facilitate financial transactions. This acquisition was settled on 13 April 2005.

Progress of TSI

TSI is a business dedicated to the commercialisation and deployment of transaction payments hardware (including ATMs, Eftpos and Kiosks) in Asia. TSI's initial focus is on the emerging market in India, which has resulted from the increased wealth and application of technology in that country. 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.

Since acquisition of this interest, TSI has:

i) entered into a joint venture agreement with Securitrans, which is a well established major security and cash logistics (storage and handling) company represented in 85 cities across India. They are the second largest cash (including the replenishment of ATMs) and bullion logistics company in India, leaders in the cash management business and have well established commercial relationships with India's largest banks. TSI intends to leverage its business model through the utilisation of Securitrans' experienced sales and marketing division and its established service and maintenance operations;

ii) entered into an agreement with UTI Bank to act as a sponsoring and settlement bank for all or part of TSI's proposed independent ATM network in India. UTI Bank is one of India's largest private trading banks and has over 200 branches throughout the country. In accordance with banking regulations in India, UTI Bank has also agreed to provide the funding for the "cash on location" requirements for the ATM network. The parties are now seeking final approval from the Reserve Bank of India before the rollout of ATMs commences; and

iii) entered into an agreement with the Bank of Punjab to deploy independent Eftpos terminals throughout India. The Bank of Punjab has a focus on using technology to provide services to retail customers and is listed on the national stock exchange of India. Following the successful completion of testing TSI has signed site agreements with its first retail clients, and live processing is now taking place via TSI deployed terminals.

Corporate and Financial Position

The Company completed two capital raisings during the financial year, which raised $1,100,000 (before costs) of new equity for the Company. The funds raised have been/will be applied to the payment of subscriptions monies to TSI (in total $700,000) and to provide working capital for the operation of the Consolidated Entity (based on current cash flows) for the next 12 to 18 months.

Business Strategies and Prospects

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

i) Seek to maximise the value of the Company's holding in TSI, by either acquiring 100% of TSI or listing of TSI on a stock market;
ii) Continuing to examine new business development opportunities that utilise technologies; and
iii) Monitoring the licensing arrangements and the level of royalties of the Consolidated Entity's intellectual property.

DIVIDENDS

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

PRINCIPAL ACTIVITIES

The principal activities during the financial year by QED were to develop and invest in technologies and patents for commercialisation. Pursuant to an outsourcing proposal approved by shareholders, with effect from 1 July 2004 the Consolidated Entity's operations were transferred to Occtech Limited.

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 parent entity or the Consolidated Entity that occurred during the financial year under review except for the following:

i) Following shareholder approval the Consolidated Entity outsourced further commercialisation of its proprietary technologies. This resulted in the sale of the Consolidated Entity's subsidiaries and related operational assets (excluding intellectual property and a number of key items of plant and equipment) and liabilities to the then executive directors of the Consolidated Entity. The Consolidated Entity has retained ownership of its proprietary technologies and has entered into agreements to licence the intellectual property to third parties, earning royalties;

ii) the Consolidated Entity acquired a 35% interest in Transaction Solutions International Pty Ltd ("TSI"), which is a technology company focusing on the deployment of hardware within the Asian market to facilitate financial transactions. The Consolidated Entity also secured a first right of refusal over the other shares in TSI (being 65%) by granting 30,000,000 options (exercise price of $0.015). The transactions were settled on 13 April 2005;

iii) On 13 April 2005, the Consolidated Entity completed a placement of 50,000,000 ordinary share to raise $500,000 (before costs); and

iv) On 29 April 2005, the Consolidated Entity completed a placement of 15,000,000 ordinary shares to raise $600,000 (before costs).

ENVIRONMENTAL REGULATION

The Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity.

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 and the Consolidated Entity to affect substantially the operations of the Company or the Consolidated Entity, the results of those operations or the state of affairs of the Company or the Consolidated Entity in subsequent financial years, except as follows:

i) Pursuant to a subscription agreement with Transaction Solutions International Pty Ltd ("TSI"), QED is required to make additional payments upon two commercial milestones being achieved. The milestones relate to the implementation and roll out of TSI's equipment. QED is required, within 60 days of the milestone being achieved, to pay a further $225,000 and $150,000 respectively. These milestones were met and the necessary payments were made on 1 July 2005 and 22 July 2005. The amount of $375,000 was brought to account as a liability as at 30 June 2005; and

ii) For the financial reporting periods beginning on or after 1 July 2005 the Consolidated Entity must comply with Australian equivalents to International Financial Reporting Standards ("AIFRS") as issued by the Australian Accounting Standards Board. The implementation plan and potential of adopting AIFRS are detailed in Note 32 to the financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Consolidated Entity 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 achieved. If any or all of these activities are successfully completed, the Consolidated Entity'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 2004 to the date of this report are contained in Note 17 of the attached Financial Statements.

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 (i)	14,375,000	-	14,250,000	-
Ian P Middlemas	-	7,250,000	-	-
Mark L Pearce	-	-	-	-

(i) Following shareholder approval, the Company issued 14,250,000 fully paid ordinary shares at a deemed issue price of $0.02 each to repay a loan from Mr Miller of $285,000 (also see Notes 20 and 24 of the attached Financial Statements).

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:

Director	Board of Directors' Meetings *Held While Director*	*Attended*
Douglas H Miller	4	4
Ian P Middlemas	4	3
Mark L Pearce (b)	4	4
Ivan Bristow (a)	-	-
Peter Macintosh (a)	-	-

(a) Mr Ivan Bristow and Mr Peter Macintosh resigned on 8 November 2004.
(b) Mr Pearce was appointed a director on 8 November 2004.

REMUNERATION REPORT

This report details the amount and nature of remuneration of each director of the Company. Other than directors, there were no executive officers of the Company during the year.

Remuneration Policy

The Board has adopted a remuneration policy that takes into account the current size and nature of the Company's operations. As a result, the level of directors' fees for non executive directors has been reduced from $25,000 per annum to $15,000 per annum. The Company currently has one executive director who is paid a retainer for his services. The Company is able to terminate the retainer with one month's notice.

Following shareholder approval, the Board has focused the Company's efforts on finding and completing new business opportunities involving the application of technology. 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 executives (including executive directors) 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.

The board believes that this remuneration policy is appropriate given the stage of development of the company and the activities which it undertakes, and is appropriate in aligning director and executive objectives with shareholder and business objectives.

The remuneration policy, setting the terms and conditions for the executive directors and other executives (if applicable) has been developed by the board taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

The Board's policy is currently to remunerate non-executive directors at the lower end of market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, primarily based on the nature and size of the Company's operations and also including market practice, duties and accountability. Independent external advice is sought 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. Fees for non-executive directors are not linked to the performance of the Consolidated Entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and have in limited circumstances received options.

DIRECTORS' REPORT (Continued)

The Company undertook an outsourcing approach to its operations with effect from 1 July 2004. Accordingly the Consolidated Entity did not employ any executives (who were not directors) during the current financial year. The function of Company Secretary was performed by contractors. From 1 July 2004 to 8 November 2004, the contractor was paid an hourly rate. From 8 November 2004, the Company relocated to a fully serviced office (for a fixed monthly fee) which includes the services of a company secretary (see Note 20 to the Financial Statements in respect to transactions with Directors).

When required by legislation, Directors and executives receive superannuation guarantee contributions, which is 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 directors and executives is valued at cost to the company and expensed. No options or other securities were issued to directors as part of their remuneration during the year. The Board may reassess this policy should the nature and size of its operations change.

Emoluments of Directors and Executives

Details of the nature and amount of each element of the emoluments of each Director of QED Occtech Limited are as follows:

Directors	Base Remuneration $	Other Benefits (non cash) $	Superannuation $	Retirement Benefits $	Total $
Douglas H Miller	10,000	-	-	-	10,000
Ian P Middlemas	24,000	-	-	-	24,000
Mark L Pearce	10,000	-	-	-	10,000
Ivan Bristow (i)	-	-	-	-	-
Peter Macintosh (i)	-	-	-	-	-

(i) Mr Ivan Bristow and Mr Peter Macintosh resigned on 8 November 2004.

During the financial year, the Company only had one executive (other than directors) whose emoluments were as follows:

Directors	Base Remuneration $	Other Benefits (non cash) $	Superannuation $	Retirement Benefits $	Total $
Robert S Middlemas (i)	18,820	-	-	-	18,820

(i) Provided company secretarial services to the Company under a contract through Sparkling Investments Pty Ltd during the period 1 July to 8 November 2004

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, the Company entered into an agreement with its auditor, KPMG, indemnifying them against any claims by third parties arising from their reports on the Company's financial reports and where the Company has breached its obligations under the audit engagement agreement.

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 Consolidated Entity during the financial year.

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. This Independence Declaration is attached to the Audit Report and forms part of this Directors' Report.

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

On behalf of the Directors

IAN MIDDLEMAS
Director

Perth, Western Australia
12 September 2005

QED OCCTECH LIMITED AND ITS CONTROLLED ENTITIES

STATEMENTS OF FINANCIAL PERFORMANCE
For the year ended 30 June 2005

		CONSOLIDATED		PARENT ENTITY	
	NOTE	2005	2004	2005	2004
		$	$	$	$
Revenue from sale of goods		-	3,446,800	-	3,446,684
Revenue from royalties		65,556	-	65,556	-
Other revenue from ordinary activities		1,114,482	167,092	1,114,482	137,562
Total revenue	2	**1,180,038**	**3,613,892**	**1,180,038**	**3,584,246**
Raw materials and other direct costs		-	(2,910,540)	-	(2,910,540)
Employee expenses		(53,453)	(1,317,723)	(53,453)	(1,317,723)
Depreciation and amortisation expenses	3a	(437,219)	(1,401,449)	(437,219)	(530,030)
Writedown of non current assets	3b	(551,421)	(3,038,612)	(551,421)	(739,614)
Provision for diminution in controlled entity	3b	-	-	-	(3,149,936)
Overseas marketing & development expenses		(1,628)	(170,683)	(1,628)	(170,683)
Borrowing costs	3a	-	(14,691)	-	(9,876)
Occupancy expenses		(60,953)	(203,089)	(60,953)	(203,089)
Bad and doubtful debts expense		(20,733)	(85,186)	(20,733)	(85,186)
Insurances		(8,835)	(76,641)	(8,835)	(76,641)
Other expenses from ordinary activities		(168,129)	(490,042)	(168,129)	(485,692)
Carrying amount of discontinued operations sold	26	(2,314,538)	-	(2,314,538)	-
Loss from ordinary activities before related income tax expense		**(2,436,871)**	**(6,094,764)**	**(2,436,871)**	**(6,094,764)**
Income tax expense relating to ordinary activities	4	-	-	-	-
Net loss attributable to members of the Company	18	**(2,436,871)**	**(6,094,764)**	**(2,436,871)**	**(6,094,764)**
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of QED Occtech Limited		**(2,436,871)**	**(6,094,764)**	**(2,436,871)**	**(6,094,764)**
		Cents	**Cents**		
Basic earnings per share	23	(1.34)	(2.90)		
Diluted earnings per share	23	(1.34)	(2.90)		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 11 to 37.

QED OCCTECH LIMITED AND ITS CONTROLLED ENTITIES

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2005

		CONSOLIDATED		PARENT ENTITY	
	NOTES	2005	2004	2005	2004
		$	$	$	$
CURRENT ASSETS					
Cash assets	5	606,720	229,802	606,720	219,480
Receivables	6	27,500	451,549	27,500	451,549
Inventories	7	-	33,647	-	33,647
Other assets	8	22,208	-	22,208	-
TOTAL CURRENT ASSETS		**656,428**	**714,998**	**656,428**	**704,676**
NON-CURRENT ASSETS					
Receivables	6	-	-	-	2,134,250
Other financial assets	9	708,305	-	708,305	851,660
Plant and equipment	10	132,619	1,183,984	132,619	1,014,096
Intangible assets	11	401,445	2,805,700	401,445	-
Other assets	12	-	-	-	-
TOTAL NON-CURRENT ASSETS		**1,242,369**	**3,989,684**	**1,242,369**	**4,000,006**
TOTAL ASSETS		**1,898,797**	**4,704,682**	**1,898,797**	**4,704,682**
CURRENT LIABILITIES					
Payables	13	81,072	531,562	81,072	531,562
Interest bearing liabilities	14	-	21,850	-	21,850
Provisions	15	-	149,269	-	149,269
Other	16	375,000	-	375,000	
TOTAL CURRENT LIABILITIES		**456,072**	**702,681**	**456,072**	**702,681**
NON CURRENT LIABILITIES					
Payables	13	-	285,000	-	285,000
Interest bearing liabilities	14	-	32,351	-	32,351
TOTAL NON CURRENT LIABILITIES		**-**	**317,351**	**-**	**317,351**
TOTAL LIABILITIES		**456,072**	**1,020,032**	**456,072**	**1,020,032**
NET ASSETS		**1,442,725**	**3,684,650**	**1,442,725**	**3,684,650**
EQUITY					
Contributed equity	17	16,684,423	16,489,477	16,684,423	16,489,477
Accumulated losses	18	(15,241,698)	(12,804,827)	(15,241,698)	(12,804,827)
TOTAL EQUITY		**1,442,725**	**3,684,650**	**1,442,725**	**3,684,650**

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 11 to 37.

QED OCCTECH LIMITED AND ITS CONTROLLED ENTITIES

STATEMENTS OF CASH FLOWS
For the year ended 30 June 2005

	NOTES	CONSOLIDATED 2005	CONSOLIDATED 2004	PARENT ENTITY 2005	PARENT ENTITY 2004
		$	$	$	$
Cash flows from operating activities					
Receipts from Customers		468,872	3,830,183	468,872	3,801,360
Interest received		5,201	19,520	5,201	19,372
Interest paid		-	(14,691)	-	(9,876)
Payments to suppliers and employees		(772,754)	(5,205,391)	(772,754)	(5,207,102)
Net cash used in operating activities	24(a)	**(298,681)**	**(1,370,379)**	**(298,681)**	**(1,396,246)**
Cash flows from investing activities					
Payments for plant and equipment		-	(743,722)	-	(743,722)
Receipts from sale of plant and equipment		-	124,644	-	122,500
Payments for investments		(333,305)	-	(333,305)	-
Cash relinquished on sale of subsidiary	26	(10,322)	-	-	-
Payments for research and development		-	(115,786)	-	(115,786)
Net cash used in investing activities		**(343,627)**	**(734,864)**	**(333,305)**	**(737,008)**
Cash flows from financing activities					
Loan made/repaid to controlled entity		-	-	-	132,586
Proceeds from borrowings		100,000	-	100,000	-
Repayment of borrowings		(100,000)	-	(100,000)	-
Proceeds from the issue of shares		1,100,000	1,404,000	1,100,000	1,404,000
Transaction costs on the issue of shares		(80,774)	(75,344)	(80,774)	(75,344)
Finance lease repayments		-	(193,738)	-	(193,738)
Net cash provided by financing activities		**1,019,226**	**1,134,918**	**1,019,226**	**1,267,504**
Net increase/(decrease) in cash held		**376,918**	**(970,325)**	**387,240**	**(865,750)**
Cash at the beginning of the financial year		229,802	1,200,127	219,480	1,085,230
Cash at the end of the financial year	5	**606,720**	**229,802**	**606,720**	**219,480**

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 11 to 37.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of the Company, QED Occtech Limited and its consolidated entities ("Consolidated Entity") are stated to assist in a general understanding of the financial report. These policies have been consistently applied by the Consolidated Entity and are consistent with those of the prior year.

(a) Basis of Accounting

The financial report is a general purpose financial report that has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on the basis of historical costs, except where stated, and does not take into account changing money values or current valuations of non-current assets.

(b) Income Tax

The Consolidated Entity adopts the income statement liability method of tax effect accounting. Income tax expense is calculated as the operating result adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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 Consolidated Entity will derive sufficient future assessable income to enable the benefit from the deductions to be realised and the Consolidated Entity will continue to comply with the conditions of deductibility imposed by the law.

(c) Non-Current Assets

Depreciable non-current assets are depreciated/amortised over their expected economic life using the straight line or diminishing value method. Profits and losses on disposal of non-current assets are taken into account in determining the operating loss for the year. The depreciation rate used for each class of assets is as follows:

- Plant and equipment 13 – 40%
- Motor vehicles 15 – 20%
- Intellectual Property/Patents 10%
- Research and Development 10 – 50%

Depreciation rates are reviewed annually for appropriateness.

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount the asset is written down to the lower amount. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

(d) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to acquisition.

When equity investments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of the proceeds received, otherwise expensed.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(e) 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.

(f) Other non-current assets

Research and development costs
Research and development costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs. Where research and development costs are deferred such costs are amortised over future periods on a basis related to expected future benefits. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

Overseas Development Expenditure carried forward
Significant items of carry forward expenditure having a benefit or relationship to more than one period are written off over the periods to which such expenditure relates.

(g) Foreign Currency

Translation of foreign currency transactions
Transactions in foreign currencies are converted to Australian currency at the rate of exchange ruling at the date of the transaction.

All exchange differences arising on settlement or re-statement are brought to account in determining the net profit or loss for the financial year.

(h) Receivables and Revenue Recognition

Revenue from the sale of goods is recognised when control of the goods passes to the customer. Revenue received in advance of completing work is deferred.

Research and development grants are recognised as received. Other grants relating to the construction of plant are recognised in proportion to the stage of completion of the contract when it can be reliably measured.

The collectability of debts is assessed at balance date and specific provision is made for any doubtful debts. Trade debtors to be settled within 60 days are carried at amounts due.

Royalty income is recognised as it accrues.

Interest income on short term investments is recognised as it accrues.

The gross proceeds of asset sales are included as revenue at the date control passes to the buyer.

(i) Leased Assets

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

Operating leases
The minimum lease payments of operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis, over the term of the lease.

Finance leases
Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Consolidated Entity are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee Entitlements

Liabilities for employees' entitlements to wages and salaries, annual leave, and other current employee entitlements are accrued at nominal amounts on the basis of current wage and salary rates.

Liabilities for other employee entitlements, which are not expected to be paid or settled within 12 months of balance date, are accrued, where material, in respect of all employees at the present values of future amounts expected to be paid.

The value of the equity-based compensation scheme is not being recognised as an employee benefits expense.

(k) Cash Flows

For the purpose of the statements of cash flows, cash includes cash on hand and deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

(l) Principles of Consolidation

On 5 November 2004, as part of a number of agreements entered into to complete the proposal outlined in Note 26, the Company disposed of its interests in all of its controlled entities, as listed below:

- QED Environmental Solutions (Florida) LLC; and
- Occtech Limited, and its controlled entity, Occtech Technical Services Pty Ltd.

Under the agreements, the operational assets and liabilities were transferred with effect from 1 July 2004. Accordingly, from 1 July 2004, the results of these entities have no longer been included in the consolidated statement of financial performance and from that date their assets and liabilities are no longer included in the consolidated statement of financial position.

The Company also disposed of its interest in BEST Solutions LLC, an associated company. The Company's investment in this entity had been fully provided for at 30 June 2004.

Controlled Entities

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Associates

Associates are those entities, other than partnerships, over which the Consolidated Entity exercises significant influence and which are not intended for sale in the near future.

In the consolidated financial statements, investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The Consolidated Entity's equity accounted share of the associates' net profit or loss is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases. Other movements in reserves are recognised directly in consolidated reserves.

Transactions Eliminated on Consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Unrealised gains resulting from transactions with associates and joint ventures, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the Consolidated Entity interest. Unrealised gains relating to associates and joint venture entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Payables

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

(n) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). 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 are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Comparative Amounts

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(p) Investments in Other Entities

Investments in other unlisted entities are carried at the lower of cost and recoverable amounts (see note 1(q)).

(q) Recoverable Amount of Non-current Assets Valued on Cost Basis

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows have been discounted to their present value using a rate of 10%.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
2. REVENUE FROM ORDINARY ACTIVITIES				
Revenue from the sale of goods	-	3,446,800	-	3,446,684
Revenue from royalties	65,556	-	65,556	-
Other Revenue				
Interest – other parties	5,201	19,520	5,201	19,372
Grant Income	-	119,199	-	90,492
Proceeds from the sale of non current assets	-	15,708	1,109,281	15,033
Proceeds on sale of business	1,109,281	-	-	-
Other revenue	-	12,665	-	12,665
	1,114,482	167,092	1,114,482	137,562
	1,180,038	**3,613,892**	**1,180,038**	**3,584,246**

3. EXPENSES

a) The loss from ordinary activities before income tax expense has been determined after charging the following items:

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Auditors' remuneration				
Audit and half year review of the Company's Financial Statements	23,000	26,564	23,000	26,564
Audit on the impact on AIFRS	8,000	-	8,000	-
Other services	-	2,430	-	2,430
Total Remuneration paid/payable to Auditor	31,000	28,994	31,000	28,994
Depreciation - Plant and equipment	408,545	415,309	408,545	269,124
- Leased Motor vehicles	-	31,311	-	26,077
Amortisation				
Intellectual property	28,674	720,000	28,674	-
Patents and preliminary expenses	-	114,000	-	114,000
Research and development	-	21,010	-	21,010
Overseas development expenditure capitalised	-	99,819	-	99,819
Total depreciation and amortisation	437,219	1,401,449	437,219	530,030
Finance charges - hire purchase agreements	-	9,348	-	9,348
Other borrowing costs	-	5,343	-	528
Total borrowing costs	-	14,691	-	9,876
Contributions to employees superannuation plans	-	169,533	-	169,533
Provision for employee entitlements	(121,269)	50,138	(121,269)	50,138
Doubtful debt expense (write back)	(34,238)	85,186	(34,238)	85,186
Bad debts written off	54,971	-	54,971	-
Loss/(profit) on sale of non current assets	2,136	(15,706)	2,136	(15,032)
Cost of Sales	-	2,910,540	-	2,910,540

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

3. EXPENSES (CONTINUED)

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
b) Significant items:				
Writedown of non-current assets				
- Intellectual Property	-	1,873,568	-	-
- Plant and equipment	551,421	381,993	551,421	381,993
- Patents and preliminary expenses	-	114,805	-	114,805
- Equity accounted investments	-	242,816	-	242,816
- Research and development	-	425,430	-	-
	551,421	**3,038,612**	**551,421**	**739,614**
Provision for diminution of investment in controlled entity	-	-	-	**3,149,936**
Loss on disposal of controlled entity	-	-	**1,205,257**	-
Loss on disposal of operations (see Note 26)	**1,205,257**	-	-	-

4. INCOME TAX

No income tax is payable by the Consolidated Entity as it has incurred losses for income tax purposes for the year.

(a) Reconciliation of income tax expense

The aggregate amount of income tax attributable to the financial year differs by more than 15% from the prima facie tax benefit on the operating loss.

The differences are reconciled as follows:

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Loss from ordinary activities	**(2,436,871)**	**(6,094,764)**	**(2,436,871)**	**(6,094,764)**
Prima facie tax benefit at 30% (2004: 30%)	731,061	1,828,429	731,061	1,828,429
Tax effect of permanent differences:				
Loss on sale of assets	(361,577)	-	(361,577)	-
Amortisation/writedowns of intangibles	(8,602)	(846,712)	(8,602)	(68,642)
Share of associate net loss	-	(72,845)	-	(72,845)
Other items not allowable	(212)	(782)	(212)	(782)
Future income tax benefits not brought to account	(360,670)	(908,090)	(360,670)	(1,686,160)
Tax expense attributable to ordinary activities	-	-	-	-

(b) Future income tax benefits not brought to account

The future income tax benefits not brought to account at 30% (2004: 30%) relating to income tax losses and, the benefits of which will only be realised if the conditions for deductibility as set out in Note 1(b) occur, are as follows:

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Tax losses and timing differences	1,827,920	1,467,250	1,827,920	1,467,250

The Consolidated Entity has not entered into a tax consolidated group, and there has been no impact on the tax position as a consequence of the introduction of the revised tax legislation.

QED OCCTECH LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
5. CASH ASSETS				
Cash at bank and on hand	606,720	119,802	606,720	109,480
Bank short term deposits	-	110,000	-	110,000
	606,720	**229,802**	**606,720**	**219,480**
6. RECEIVABLES				
Current				
Trade Debtors	82,445	540,732	82,445	540,732
Less provision for doubtful debts	(54,945)	(89,183)	(54,945)	(89,183)
	27,500	**451,549**	**27,500**	**451,549**
Non Current				
Advance to controlled entity (i)	-	-	-	**2,134,250**

(i) this advance is interest free, unsecured and has no set terms of repayment.

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
7. INVENTORIES				
Current				
Finished Goods – at cost	-	**33,647**	-	**33,647**
8. OTHER ASSETS				
Current				
Refund of GST due	**22,208**	-	**22,208**	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
9. OTHER FINANCIAL ASSETS				
Non Current				
Investments in other entities (a)	708,305	-	708,305	-
Investment in Associate (b)	-	-	-	-
Investment in Controlled Entity (c)	-	-	-	5,241,960
Less provision for diminution	-	-	-	(4,390,300)
	-	-	-	**851,660**
	708,305	-	**708,305**	**851,660**

(a) This refers to an investment in Transaction Solutions International Pty Ltd ("TSI"). Although QED currently holds a 35% 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.

(b) The Investment in Associates was accounted for using the equity method of accounting. It represented QED's 30% interest in BEST Solutions LLC ("BEST"), a North Carolina USA Limited Liability private company, registered on 20 June 2001. The principal activities of BEST are the same as QED in waste water and biomass management industries. The reporting date of BEST is 31 December. The investment had been fully provided against at 30 June 2004, and was sold with effect from 1 July 2004.

Carrying Value of Investment in Associates

Investment in Associate – opening balance	-	242,816	-	242,816
Share of Associates losses	-	-	-	-
Share of Associates tax expense	-	-	-	-
Writedown of balance	-	(242,816)	-	(242,816)
Investment in Associate – closing balance	-	-	-	-

(c) Refer to Note 19 Investments in Controlled Entities.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
10. PLANT AND EQUIPMENT				
Plant held for resale				
At cost	1,663,759	1,512,836	1,663,759	1,512,836
Accumulated depreciation	(1,531,140)	(571,174)	(1,531,140)	(571,174)
	132,619	**941,662**	**132,619**	**941,662**
Plant and Equipment				
At cost	-	1,174,724	-	321,639
Accumulated depreciation	-	(947,705)	-	(260,410)
	-	**227,019**	**-**	**61,229**
Leased Motor vehicles				
At cost	-	39,271	-	16,005
Accumulated depreciation	-	(23,968)	-	(4,800)
	-	**15,303**	**-**	**11,205**
	132,619	**1,183,984**	**132,619**	**1,014,096**

Reconciliation
Reconciliation of the carrying amounts for each class of plant and equipment are set out below:

	CONSOLIDATED 2005	CONSOLIDATED 2004	PARENT ENTITY 2005	PARENT ENTITY 2004
Plant held for resale				
Carrying amount at beginning of year	941,662	1,031,801	941,662	1,031,801
Additions	150,923	481,035	150,923	481,035
Writedown	(551,421)	(381,993)	(551,421)	(381,993)
Depreciation	(408,545)	(189,181)	(408,545)	(189,181)
Carrying amount at end of year	**132,619**	**941,662**	**132,619**	**941,662**
Plant and equipment				
Carrying amount at beginning of year	227,019	465,135	61,229	151,691
Additions	-	3,770	-	3,770
Disposals	(227,019)	(15,758)	(61,229)	(14,289)
Depreciation	-	(226,128)	-	(79,943)
Carrying amount at end of year	**-**	**227,019**	**-**	**61,229**
Leased Motor vehicles				
Carrying amount at beginning of year	15,303	151,360	11,205	142,028
Disposals	(15,303)	(104,746)	(11,205)	(104,746)
Depreciation	-	(31,311)	-	(26,077)
Carrying amount at end of year	**-**	**15,303**	**-**	**11,205**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
11. INTANGIBLE ASSETS				
Patents				
At Cost	1,036,000	7,156,259	1,036,000	1,319,213
Accumulated Amortisation/writedown	(634,555)	(4,350,559)	(634,555)	(1,319,213)
	401,445	**2,805,700**	**401,445**	**-**
12. OTHER NON CURRENT ASSETS				
Overseas Development Expenditure Deferred				
At Cost	785,905	785,905	785,905	785,905
Accumulated Amortisation	(785,905)	(785,905)	(785,905)	(785,905)
	-	-	-	-
Research and Development				
At Cost	197,473	740,747	197,473	197,473
Less Start Grant Funds received	(132,165)	(132,165)	(132,165)	(132,165)
Accumulated Amortisation	(65,308)	(608,582)	(65,308)	(65,308)
	-	-	-	-
	-	-	-	-
13. PAYABLES				
Current (Unsecured)				
Trade creditors	14,357	405,924	14,357	405,924
Other creditors and accruals	66,715	125,638	66,715	125,638
	81,072	**531,562**	**81,072**	**531,562**
Non Current (Unsecured)				
Unsecured loan – related party (i)	-	285,000	-	285,000

(i) Further information relating to amounts owed to Director-related entities is disclosed in Note 20.

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
14. INTEREST BEARING LIABILITIES				
Current				
Lease Liabilities (Note 22(a))	-	21,850	-	21,850
Non-Current				
Lease Liabilities (Note 22(a))	-	32,351	-	32,351

Finance Lease Facility
As at 30 June 2004, the Consolidated Entity's lease liabilities were secured by the leased assets with a written down value of $43,587, as in the event of the default, the assets revert to the lessor. These assets were sold with effect from 1 July 2004 and the lease liability transferred to Occtech Limited pursuant to an arrangement approved by shareholders (see Note 26).

Financing facilities
At 30 June 2004, the Consolidated Entity had an overdraft facility of $893,000 secured over Directors personal property with no amount drawn on the facility. This facility was cancelled subsequent to the end of the financial year, and executive directors have supported the group to the period ended 5 November 2004, upon the assets and liabilities of the business being transferred to Occtech Limited pursuant to an arrangement approved by shareholders (see Note 26).

15. PROVISIONS

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Current				
Employee entitlements (a)	-	121,269	-	121,269
Warranty (a)	-	28,000	-	28,000
	-	149,269	-	149,269
Number of employees at year end	-	19	-	15

(a) With effect from 1 July 2004, the balance of the provisions for employee entitlements and warranties were transferred to a third party (see Note 26 for further details).

16. OTHER LIABILITIES

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Current				
Deferred consideration (a)	375,000	-	375,000	-

(a) The deferred consideration represents the additional payments QED is required to make to Transaction Solutions International Pty Ltd ("TSI") upon two commercial milestones being achieved, which relate to the implementation and roll out of TSI's equipment. QED is required, within 60 days of the milestone being achieved, to pay a further $225,000 and $150,000 respectively. These milestones were met and the necessary payments were made on 1 July 2005 and 22 July 2005.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

		PARENT ENTITY	
		2005 $	2004 $
17.	**CONTRIBUTED EQUITY**		
(a)	**Issued and paid up capital**		
	203,047,537 (2004: 224,639,262) ordinary shares	16,684,423	16,489,477

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

Date	Details	Note	Number of Shares	Number of Preference Shares	Number of $0.20 Options	Number of $0.015 Options	$
01/07/03	**Opening Balance**		**184,523,024**	**3,924**	**31,614,000**	**-**	**15,160,821**
15/09/03	Conversion of A Class Preference Shares	(i)	1,962	(1,962)	-	-	-
03/11/03	Share Placement	(ii)	27,500,000	-	-	-	962,500
02/12/03	Share Purchase Plan	(iii)	12,614,276	-	-	-	441,500
	Less expenses related to new shares issued		-	-	-	-	(75,344)
30/06/04	**Closing Balance**		**224,639,262**	**1,962**	**31,614,000**	**-**	**16,489,477**
31/08/04	Expiry of options	(iv)	-	-	(26,714,000)	-	-
05/11/04	Conversion of B Class Preference Shares	(v)	1,962	(1,962)	-	-	-
05/11/04	Cancellation of Directors' shares	(vi)	(100,843,687)	-	-	-	(1,109,280)
05/11/04	Expiry of employee options	(vii)	-	-	(4,900,000)	-	-
05/11/04	Conversion of debt into equity	(viii)	14,250,000	-	-	-	285,000
13/04/05	Share Placement	(ix)	50,000,000	-	-	-	500,000
13/04/05	Acquisition of rights over TSI shares	(x)	-	-	-	30,000,000	-
29/04/05	Share Placement	(xi)	15,000,000	-	-	-	600,000
	Less expenses related to new shares issued		-	-	-	-	(80,774)
30/06/05	**Closing Balance**		**203,047,537**	**-**	**-**	**30,000,000**	**16,684,423**

17. CONTRIBUTED EQUITY (continued)

(b) Movements in ordinary share capital during the past two years were as follows (continued):

Notes

(i) On 15 September 2003, 1,962 shares were issued upon conversion of the 'A Class' shares, relating to the Occtech Purchase in 2002.

(ii) On 3 November 2003 the Company issued 27,500,000 ordinary shares at 3.5 cents/share as an excluded placement to sophisticated investors.

(iii) On 2 December 2003, the Company issued 12,614,276 shares under a Share Purchase Plan at an issue price of 3.5 cents/share.

(iv) All listed options expired on 31 August 2004 – see Note 17(f) for terms of options.

(v) On 5 November 2004, 1,962 shares were issued upon conversion of the 'B Class' shares, relating to the Occtech Purchase in 2002.

(vi) Following shareholder approval, on 5 November 2004 the Company cancelled 100,843,687 ordinary shares pursuant to an outsourcing proposal (see Note 26).

(vii) Following the completion of the outsourcing proposal (see Note 26), all options granted pursuant to the employee share option plan (see Note 30) expired.

(viii) Following shareholder approval, on 5 November 2004 the Company issued 14,250,000 ordinary shares to repay a loan of $285,000 (see Note 24(b)).

(ix) Following shareholder approval, on 13 April 2005 the Company issued 50,000,000 ordinary shares at 1 cent per share as a placement to sophisticated investors.

(x) Following shareholder approval, on 13 April 2005 the Company granted 30,000,000 $0.015 options to the shareholders of Transaction Solutions International Pty Ltd as consideration for the first right of refusal to acquire their 65% interest in TSI (see Note 31 regarding contingent assets).

(xi) On 29 April 2005 the Company issued 15,000,000 ordinary shares at 4 cents per share as a placement to sophisticated investors.

(c) Terms and conditions of Ordinary Shares

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.

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.

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.

17. CONTRIBUTED EQUITY (continued)

(c) Terms and conditions of Ordinary Shares (continued)

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.

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.

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.

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.

(d) Terms and conditions of Options - $0.015

Entitlement

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

Exercise Price

The exercise price of each Option is $0.015.

Expiry Date

Each Option has an expiry date of 31 December 2009.

Exercise Period

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

Shares issued on exercise

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

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.

17. CONTRIBUTED EQUITY (continued)

(d) Terms and conditions of Options - $0.015 (continued)

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.

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):

(a) 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

(b) no change will be made to the Exercise Price.

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.

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.

No Quotation of Options

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

Options transferable

The Options are transferable.

(e) Terms and conditions of Unlisted options - $0.20

As at 30 June 2004, a total of 4,900,000 employee options were on issue under the QED Occtech Employee Option Plan. The unlisted options are exercisable at $0.20 each on or before 26 June 2008, and will be vested at a rate of 25% per annum providing employment conditions are maintained. None of these options were exercised and they all expired on 5 November 2004.

(f) Terms and conditions of Listed options - $0.20

As at 30 June 2004, a total of 26,714,000 options exercisable at $0.20 each on or before 31 August 2004 were outstanding in respect of ordinary shares. None of these options were exercised and they all expired on 31 August 2004.

(g) Terms and conditions of Convertible Preference Shares

As at 30 June 2004, a total of 1,962 Class B convertible preference shares were on issue as part consideration for the purchase of Occtech Limited. These converted into 1,962 fully paid ordinary shares on 5 November 2004.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

18. ACCUMULATED LOSSES

	CONSOLIDATED		PARENT ENTITY	
	2005 $	2004 $	2005 $	2004 $
Accumulated losses at the beginning of the year	12,804,827	6,710,063	12,804,827	6,710,063
Net loss attributable to members of the Company	2,436,871	6,094,764	2,436,871	6,094,764
Accumulated losses at the end of the year	**15,241,698**	**12,804,827**	**15,241,698**	**12,804,827**

19. INVESTMENTS IN CONTROLLED ENTITIES

Ordinary Shares

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2005(i)	Equity Holding 2004
QED Environmental Solutions (Florida) LLC	USA	Ordinary	-	100%
Occtech Limited	Aust	Ordinary	-	100%
Occtech Technical Services Pty Ltd	Aust	Ordinary	-	100%

(i) QED's interest in these entities was sold with effect from 1 July 2004 – See Note 26.

20. DIRECTORS' AND EXECUTIVES' DISCLOSURES

a) **Remuneration of specified directors and specified executives by the Consolidated Entity**

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Board obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages include fixed remuneration with bonuses or equity based remuneration entirely at the discretion of the board based on the performance of the Consolidated Entity.

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2001 AGM, is not to exceed $150,000 per annum. Directors' base fees are presently $15,000 per annum (2004: $25,000). Non-executive directors do not receive bonuses nor are they issued options on securities. Directors' fees cover all main board activities and membership of one committee.

Prior to 1 July 2004, the Consolidated Entity's Redundancy Scheme stipulated that senior executives receive a termination payout on a sliding scale, up to a maximum of 6 months remuneration. Post 1 July 2004, this scheme has been disbanded, with one month's notice now required for senior executive terminations.

The following tables provide the details of all directors of the Company ("specified directors") and the nature and amount of the elements of their remuneration for the years ended 30 June 2004 and 30 June 2005. There were no "specified executives" that are involved in the strategic direction of the Company, as this role was completed by the executive directors.

2005 Specified Directors	Base Remuneration $	Other Benefits (non cash) $	Superannuation $	Retirement Benefits $	Total $
Douglas H Miller	10,000	-	-	-	10,000
Ian P Middlemas	24,000	-	-	-	24,000
Mark L Pearce (i)	10,000	-	-	-	10,000
Ivan Bristow (ii)	-	-	-	-	-
Peter Macintosh (ii)	-	-	-	-	-

(i) Mr Pearce was appointed a director on 8 November 2004.
(ii) Messrs Bristow and Macintosh resigned from the board on 8 November 2004.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

20. DIRECTORS' AND EXECUTIVES' DISCLOSURES (continued)

2004 Specified Directors	Base Remuneration $	Other Benefits (non cash) $	Superannuation $	Retirement Benefits $	Total $
Douglas H Miller	126,217	4,371	10,684	-	141,272
Ivan Bristow	134,759	-	9,644	-	144,403
Peter Macintosh	133,718	-	10,685	-	144,403
Anthony Fane (i)	18,750	-	1,688	-	20,438
Ian P Middlemas	25,000	-	2,250	-	27,250

(i) Mr Fane resigned from the board on 31 December 2003.

There were no loans made to any directors at 30 June 2005 (2004: Nil).

b) Other Transactions with Directors of the Company and their Director-Related Entities

The following transactions with Directors and Director-related entities occurred during the year on normal commercial terms and conditions:

(i) Apollo Group Pty Ltd, a company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid $68,250 for the provision of serviced office facilities, company secretarial services and other administration services for the period 8 November 2004 to 30 June 2005. The amount is based on a monthly retainer due and payable in arrears, and able to be terminated with one month's notice by either party.

(ii) For the year ended 30 June 2004, fees of $16,228 for corporate design and printing services were paid to a company in which Mr Miller is associated with as a Director and shareholder. No amounts were owed to this company at balance date for the current or previous year.

(iii) For the year ended 30 June 2004, fees of $19,525 were repaid to Mr Miller by way of transfer of Company assets as part repayment of an unsecured interest free loan. At 30 June 2004, an amount of $285,000 was still owed with repayment due by 8 July 2005. Following shareholder approval on 5 November 2004, this debt was repaid in exchange for 14,250,000 ordinary shares.

c) Directors' Share and Optionholdings

The aggregate numbers of shares and options of the Company held directly, indirectly or beneficially by Directors of the Company or their Director-related entities at balance date is as follows (unless otherwise stated, the Opening and Closing Balances refer to 1 July 2004 and 30 June 2005 respectively):

Director	Fully Paid Ordinary Shares				
	Opening Balance	Purchases	Sales	Other	Closing Balance
Douglas H Miller (i) (ii)	40,066,072	-	-	(39,941,072) 14,250,000	14,375,000
Ian P Middlemas	7,250,000	-	-	-	7,250,000
Mark L Pearce (iii)	-	-	-	-	-
Former Directors					
Ivan Bristow (iv) (v) (vi)	24,552,166	-	-	(24,552,166) 203	203
Peter Macintosh (vi) (vii) (viii)	36,350,449	-	-	(36,350,449) 1,247	1,247

20. DIRECTORS' AND EXECUTIVES' DISCLOSURES (continued)

c) Directors' Share and Optionholdings (continued)

(i) Following shareholder approval, 39,941,072 Ordinary Shares held by Mr Miller (and his associated entities) were cancelled upon completion of the Outsourcing Proposal;
(ii) Following shareholder approval, 14,250,000 Ordinary Shares were issued to Mr Miller as repayment of a loan of $285,000 owed by QED to Mr Miller;
(iii) Opening Balance is at date of appointment as a director, 8 November 2004;
(iv) Following shareholder approval 24,552,166 Ordinary Shares held by Mr Bristow (and his associated entities) were cancelled upon completion of the Outsourcing Proposal;
(v) Mr Bristow also held 203 'B Class' Convertible Preference Shares at 1 July 2004, which were converted into 203 fully paid ordinary shares on 5 November 2004;
(vi) Closing balance is at date of resignation as a director, 8 November 2004;
(vii) Following shareholder approval 36,350,449 Ordinary Shares held by Mr Macintosh (and his associated entities) were cancelled upon completion of the Outsourcing Proposal; and
(viii) Mr Macintosh also held 1,247 'B Class' Convertible Preference Shares at 1 July 2004, which were converted into 1,247 fully paid ordinary shares on 5 November 2004.

Director	Listed Options - $0.20 (i)				
	Opening Balance	Purchases	Sales	Other	Closing Balance
Douglas H Miller (ii)	200,000	-	-	(200,000)	-
Ian P Middlemas (ii)	3,000,000	-	-	(3,000,000)	-
Mark L Pearce (iii)	-	-	-	-	-
Former Directors					
Ivan Bristow (iv)	-	-	-	-	-
Peter Macintosh (iv)	-	-	-	-	-

(i) See Note 17 (f) for details of terms and conditions attached to the listed options;
(ii) In accordance with their terms and conditions, Options expired on 31 August 2004;
(iii) Opening Balance is at date of appointment as a director, 8 November 2004; and
(iv) Closing balance is at date of resignation as a director, 8 November 2004.

21. RELATED PARTY TRANSACTIONS

The only related parties to QED (other than directors) are its wholly owned subsidiaries (refer note 19).

(i) As at 30 June 2004, QED Occtech Limited (the parent entity) has made a loan to Occtech Limited of $2,134,250. Pursuant to the outsourcing proposal approved by shareholders, this loan converted into equity in Occtech Limited. The shares that QED received in Occtech Limited were then sold, as part consideration, in return for the cancellation of 100,843,637 ordinary shares (refer Note 26 for further details).
(ii) Pursuant to the outsourcing proposal approved by shareholders, a number of assets and liabilities were transferred from QED to Occtech Limited. Details of the assets and liabilities transferred are outlined in Note 26.

There were no other related party transactions during the year.

		CONSOLIDATED		PARENT ENTITY	
		2005	2004	2005	2004
		$	$	$	$
22.	**EXPENDITURE COMMITMENTS**				
(a)	**Finance Lease Commitments**				
	Commitments in relation to finance lease contracts are payable as follows:				
	Not later than one year	-	25,065	-	25,065
	One to five years	-	35,175	-	35,175
	Unexpired finance lease charges	-	(6,039)	-	(6,039)
	Total finance lease liability	**-**	**54,201**	**-**	**54,201**
	Representing finance lease liabilities				
	Current (Note 14)	-	21,850	-	21,850
	Non Current (Note 14)	-	32,351	-	32,351
		-	**54,201**	**-**	**54,201**

Finance lease commitments are secured over plant and equipment and have normal terms and conditions.

23. EARNINGS/(LOSS) PER SHARE

	2005	2004
	Cents per share	
Basic earnings/(loss) per share	**(1.34)**	**(2.90)**
	2005	**2004**
	Number of Shares	
Weighted average number of fully paid ordinary shares on issue during the year used in the calculation of basic earnings/(loss) per share	**181,587,671**	**210,008,765**

As at 30 June 2005, the Consolidated Entity had on issue 30,000,000 unlisted options over ordinary shares that have not been included in the calculation of diluted EPS as they are not considered dilutive. Accordingly, diluted earnings/(loss) per share for the 2005 financial year is the same as the basic earnings/(loss) per share.

As at 30 June 2004, the Consolidated Entity had on issue 26,714,000 listed options and 4,900,000 unlisted employee options over ordinary shares that have not been included in the calculation of diluted EPS as they are not considered dilutive. Accordingly, diluted earnings/(loss) per share for the 2004 financial year is the same as the basic earnings/(loss) per share.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

24. NOTES TO THE STATEMENTS OF CASH FLOWS

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

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Loss from ordinary activities after income tax	(2,436,871)	(6,094,764)	(2,436,871)	(6,094,764)
Non-cash items:				
Loss on disposal of controlled entity	-	-	1,205,257	-
Loss on disposal of operations	1,205,257	-	-	-
Depreciation and amortisation	437,219	4,440,064	437,219	1,269,645
Loss/(Profit) on sale of non current assets	2,136	(15,706)	2,136	(15,032)
Provision for diminution in controlled entity	-	-	-	3,149,938
Provision for doubtful debts	(34,238)	85,186	(34,238)	85,186
Provision for diminution of plant and equipment	551,421	-	551,421	-
Repayment of directors loan	-	(12,667)	-	(12,667)
Change in operating assets and liabilities adjusted for the effects of the disposal of a controlled entity during the financial year:				
Decrease (Increase) in receivables	458,287	490,606	458,287	484,361
Decrease (Increase) in inventory	-	(7,260)	-	(7,260)
Decrease (Increase) in other assets	(22,207)	62,136	(22,207)	62,136
Increase (Decrease) in payables	(450,489)	(199,160)	(450,489)	(198,975)
Increase (Decrease) in employee entitlements	(9,196)	(118,814)	(9,196)	(118,814)
Net cash outflows used in operating activities	**(298,681)**	**(1,370,379)**	**(298,681)**	**(1,396,246)**

24. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

(b) Non Cash financing and investing activities

i) Conversion of Debt to Equity

Following shareholder approval, the Company issued 14,250,000 fully paid ordinary shares at a deemed issue price of $0.02 each to repay a loan from Mr Douglas Miller (a director) of $285,000 (also see Note 20 for information regarding transactions with Directors).

ii) First Right of Refusal

On 13 April 2005, the Company granted 30,000,000 unlisted options over unissued shares in the capital of the Company as consideration for a first right of refusal over the 65% interest in TSI not already owned by QED.

(c) Disposal of Subsidiary

See Note 26 for details relating to disposal of subsidiaries and operations.

25. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The Consolidated 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, is as follows:

2005	Note	Weighted Average Effective Interest %	Floating Interest Rate $	Fixed Interest Rate Maturing 12 - 60 months $	Non Interest Bearing $	Total $
Financial Assets						
Cash assets	5	3.25%	606,720	-	-	606,720
Receivables	6		-	-	27,500	27,500
Investments	9				708,305	708,305
Total Financial Assets			606,720	-	735,805	1,342,525
Financial Liabilities						
Payables	13		-	-	(81,072)	(81,072)
Total Financial Liabilities			-	-	(81,072)	(81,072)
Net Financial Assets/(Liabilities)			606,720	-	654,733	1,261,453

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

25. FINANCIAL INSTRUMENTS

(b) Interest Rate Risk (continued)

2004	Note	Weighted Average Effective Interest %	Floating Interest Rate $	Fixed Interest Rate Maturing 12 - 60 months $	Non Interest Bearing $	Total $
Financial Assets						
Cash assets	5	4.0%	229,802	-	-	229,802
Receivables	6	-	-	-	451,549	451,549
Total Financial Assets			229,802	-	451,549	681,351
Financial Liabilities						
Payables	13	-	-	-	(531,562)	(531,562)
Unsecured loans	13	-	-	-	(285,000)	(285,000)
Finance lease liabilities	14	6-8%	-	(54,201)	-	(54,201)
Employment entitlements	15	-	-	-	(121,269)	(121,269)
Total Financial Liabilities			-	(54,201)	(937,831)	(992,032)
Net Financial Assets/(Liabilities)			229,802	(54,201)	(486,282)	(310,681)

(b) 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 doubtful debts, as disclosed in the statements of financial position and in the notes to the financial statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

(c) Net Fair Values

For 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. The Company has no financial assets where the carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

26. DISPOSAL OF CONTROLLED ENTITIES / DISCONTINUED OPERATION

The following entities were disposed of during the year:

Entity Name	Date of Disposal	Consolidated Entity's interest 2004 %	$ Contribution to consolidated net loss 2005 $	2004 $
Occtech Limited	5 Nov 04 (effective from 1 July 2004)	100	-	-
QED Environmental Solutions (Florida) LLC	5 Nov 04 (effective from 1 July 2004)	100	-	-

Both of the above entities were disposed of via the same transaction for consideration as outlined below. The contribution to the net loss for the current period from the sale of interests in the entities was a loss of $1,205,257 (see below for further details).

Details of the transaction

On 30 June 2004, the Company outlined its Proposal, which was subject to shareholder approval, to outsource further commercialisation of the Company's proprietary technologies to the QED Senior Management team. Shareholder approval for the transactions was received on 18 October 2004 and the agreements were finalised on 5 November 2004.

Under the agreements, the Company's investments in its subsidiaries Occtech Limited and QED Environmental Solutions (Florida) LLC were sold, along with other operational assets and liabilities. The operational assets and liabilities were transferred with effect from 1 July 2004. The consolidated carrying amount of the assets and liabilities disposed is as follows:

	$
Cash	10,322
Inventory	33,647
Plant and equipment (net)	89,263
Intangible assets	2,375,580
Total assets	**2,508,812**
Lease liabilities	54,201
Provision for employee entitlements	112,073
Provision for warranty	28,000
Total liabilities	**194,274**
Net assets	**2,314,538**

Consideration for the transaction was the cancellation of 100,843,687 shares in the Company. The fair value of the shares, based on the market price on 5 November 2004, was $0.011 equating to $1,109,281. No cash consideration was received.

Details of the sale are as follows:

	$
Fair value of consideration	1,109,281
Carrying amount of net assets sold	2,314,538
Loss on sale before income tax	(1,205,257)
Income tax expense	-
Loss on sale after income tax	**(1,205,257)**

As the operation was sold effective 1 July 2004, there were no other revenues or expenses attributable to the division for the financial period.

Aside from relinquishing cash held by the subsidiary, there were no cash flows associated with sale of the discontinuing operation.

27. SEGMENT INFORMATION

The Company operates predominantly in one industry, the waste water solutions industry, and in one geographic location, namely Australia.

28. AFTER BALANCE DATE EVENTS

Other than as disclosed below, as at the date of this Financial Report there are no matters or circumstances which have arisen since 30 June 2005 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2005, of the Company or Consolidated Entity;

(b) the results of those operations, in financials years subsequent to 30 June 2005, of the Company or Consolidated Entity; or

(c) the state of affairs, in financial years subsequent to 30 June 2005, of the Company or Consolidated Entity.

Transaction Solutions International Milestone Payments

Pursuant to a subscription agreement with Transaction Solutions International Pty Ltd ("TSI"), QED is required to make additional payments upon two commercial milestones being achieved. The milestones relate to the implementation and roll out of TSI's equipment. QED is required, within 60 days of the milestone being achieved, to pay a further $225,000 and $150,000 respectively. These milestones were met and the necessary payments were made on 1 July 2005 and 22 July 2005. The amount of $375,000 was brought to account as a liability as at 30 June 2005.

Transition to AIFRS

For the financial reporting periods beginning on or after 1 July 2005 the Consolidated Entity must comply with Australian equivalents to International Financial Reporting Standards ("AIFRS") as issued by the Australian Accounting Standards Board. The implementation plan and potential of adopting AIFRS are detailed in Note 32 to the financial statements.

29. SUPERANNUATION COMMITMENTS

The Company contributes to individual employee superannuation plans (accumulation type) at the statutory rate of the employee's wages and salaries, in accordance with statutory requirements, to provide benefits to employees on retirement, death or disability.

30. EMPLOYEE SHARE OPTION INCENTIVE PLAN

OED Occtech established the QED Occtech Employee Share Option Plan ("Plan") at a meeting of shareholders on 3 October 2002. The Plan allows the board to grant up to 5% of the issued capital in the company in options over unissued shares to directors, executives and members of staff of the Consolidated Entity. The options, issued for $Nil consideration may be issued for periods up to 5 years, at issue prices to be determined by the board in accordance with ASX listing rules. The options cannot be transferred, and will not be quoted on the ASX.

On 26 June 2003 the board issued 4,900,000 options for $Nil consideration under the Plan to 25 employees with each option having an exercise price of 20 cents, and a term of 5 years (allowing them to be exercised at any time (subject to the terms of the Plan) prior to 26 June 2008). A total of 25% (1,225,000) of the options issued are able to be exercised immediately, with a further 25% (1,225,000) able to be exercised after 26 June 2004, 26 June 2005 and 26 June 2006 subject to employment conditions being maintained.

At 30 June 2004, none of the options had been exercised. Upon completion of the outsourcing proposal (see Note 26), all options issued pursuant to this Plan were cancelled. Prior to the date of cancellation, none of the options issued pursuant to this Plan had been exercised.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

31. CONTINGENT ASSETS

Contingent assets not considered remote:

The Company has a first right of refusal over all shares in Transaction Solutions International Pty Ltd not held by QED (being 65%). To acquire this right, the Company granted 30,000,000 $0.015 options (see Note 24(b) for details in respect to the acquisition).

32. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO AIFRS

The Company is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ending 30 June 2006. In 2004, the Company allocated internal resources to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, the Company's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when the Company prepares its first fully AIFRS compliant financial report for the year ending 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are the Company's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to ongoing work being undertaken by the Company in relation to AIFRS, potential amendments to AIFRS's and interpretations thereof being issued by the standard-setters and IFRIC and emerging accepted practice in the interpretation and application of AIFRS and UIG interpretations.

	CONSOLIDATED		PARENT ENTITY	
	30 June 2005** $	1 July 2004* $	30 June 2005** $	1 July 2004* $
(a) Reconciliation of equity as presented under AGAAP to that under AIFRS				
Total equity under AGAAP	1,442,725	3,684,650	1,442,725	3,684,650
Adjustments to retained earnings (net of tax)				
Reversal of depreciation on plant and equipment held for sale (i)	408,545	-	408,545	-
Impairment of plant and equipment held for sale (ii)	(281,163)	(176,250)	(281,163)	(176,250)
Acquisition of contingent asset (rights over TSI shares) by issuing options (iii)	(1,170,000)	-	(1,170,000)	-
Total adjustments	(1,042,618)	(176,250)	(1,042,618)	-
Adjustments to Reserves				
Acquisition of contingent asset (rights over TSI shares) by issuing options (iii)	1,170,000	-	1,170,000	-
Total equity/(deficit) under AIFRS	1,570,107	3,508,400	1,570,107	3,508,400

* This column represents the adjustments as at the date of transition to AIFRS.
** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

(i) Under AASB 5 *Non Current Assets held for Sale and Discontinued Operations* non current assets held for sale are not depreciated. Instead, the carrying value is the lower of its book value and the fair value less costs to sell the assets. As a result, the depreciation relating to these assets has been written back.

32. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO AIFRS (continued)

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS (continued)

(ii) AASB 136 *Impairment of Assets* requires that the Company's assets be tested for impairment as part of the cash generating unit to which they belong, and any impairment losses recognised in the income statement. As the assets to which the impairment relates were disposed of during the 2005 financial year, the impairment recorded at 1 July 2004 was already realised under AGAAP during the 2005 financial year.

(iii) Under AASB 2 *Share based Payments*, the Company is required to recognise the fair value of options granted as an expense unless it relates to the purchase of an asset. The Company has granted 30,000,000 $0.015 options in consideration for a contingent asset, being a first right of refusal over all shares in Transaction Solutions International Pty Ltd not held by QED (being 65%). The fair value of the options granted is required to be credited to an option premium reserve.

(b) Reconciliation of net loss under AGAAP to that under AIFRS

Year Ended 30 June 2005	CONSOLIDATED	PARENT ENTITY
	$	$
Net loss as reported under AGAAP	(2,436,871)	(2,436,871)
Depreciation of assets held for sale (i)	408,545	408,545
Impairment of assets held for sale (ii)	(104,913)	(104,913)
Acquisition of contingent asset (rights over TSI shares) by issuing options (iii)	(1,170,000)	(1,170,000)
Total adjustments under AIFRS	(866,368)	(866,368)
Net loss under AIFRS	(3,303,239)	(3,303,239)

(i) Under AASB 5 *Non Current Assets held for Sale and Discontinued Operations* non current assets held for sale are not depreciated. Instead, the carrying value is the lower of its book value and the fair value less costs to sell the assets. As a result, the depreciation relating to these assets has been written back.

(ii) Under AASB 5 *Non Current Assets held for Sale and Discontinued Operations* non current assets held for sale are not depreciated. Instead, the carrying value is the lower of its book value and the fair value less costs to sell the assets. As the fair value of the assets is less than their carrying amount, (after depreciation is added back) the assets held for sale have been further written down.

(iii) Under AASB 2 *Share based Payments*, the Company is required to recognise the fair value of options granted as an expense unless it relates to the purchase of an asset. The Company has granted 30,000,000 $0.015 options in consideration for a contingent asset, being a first right of refusal over all shares in Transaction Solutions International Pty Ltd not held by QED (being 65%).

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

32. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO AIFRS (continued)

(d) Income Taxes

Under AIFRS, tax balances are determined using a 'balance sheet' approach, which significantly differs from the current methodology prescribed and applied as described in Note 1. Changes in deferred tax assets and deferred tax liabilities may arise as a consequence of the different method of measurement, including changes in deferred tax assets and deferred tax liabilities arising as a consequence of the recognition of the fair value of assets, including investments in listed and unlisted securities.

It is expected that no deferred tax liability will be brought to account in respect to the carrying value of assets, as the Consolidated Entity currently has sufficient carried forward tax losses (see below) to offset any potential tax liability in respect to the AIFRS value of the assets at balance date.

Under AIFRS, the criteria for recognition of carried forward tax losses is 'probable' as compared to the current 'virtually certain' test. The Consolidated Entity has carried forward tax losses which have not been recognised as deferred tax assets as they do not satisfy the 'probable' criteria under AIFRS.

(e) Financial Instruments

The directors have elected to apply the first-time adoption exemption available to the consolidated entity to defer the date of transition of AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' to 1 July 2005. Accordingly, there are no quantitative impacts on the 30 June 2005 financial statements.

(f) Disclosures in relation to the sale of non-current assets

Under AIFRS, the net gain on the sale of non current assets (excluding inventories) is recognised as other income. This is in contrast to the current AGAAP treatment under which the gross proceeds from the sale are recognised as revenue and the carrying amount of the assets sold is recognised as an expense. The net impact on the profit or loss of this difference is nil.

During the year ended 30 June 2005, a number of assets were sold. If the policy required under AIFRS had been applied during the year ended 30 June 2005, the Consolidated Entity revenue would have been $1,109,281 lower (Parent Entity $1,109,281 lower) and the carrying amounts of net assets of the division sold disclosed as an expense in the statement of financial performance would have been $2,314,538 lower (Parent Entity $2,314,538 lower), and the Consolidated Entity loss on sale of non-current assets would have been $1,205,257 higher (Parent Entity $1,205,257 higher).

(g) Earnings per share

Under AIFRS basic and diluted earnings per share are calculated using the profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity. The basic and diluted earnings per share for the discontinued operations is calculated and disclosed separately.

The earnings per share for the financial year ending 30 June 2005 calculated on the AIFRS adjusted resulted are expected to be:

	Parent Entity $
Net loss under AIFRS (see above)	(3,303,239)
Loss from discontinued operations	1,205,257
Net loss under AIFRS from continuing operations	(2,097,982)

	Parent Entity (cents per share)
Basic loss per share from continuing operations	(1.16)
Diluted loss per share from continuing operations	(1.16)

DIRECTORS' DECLARATION

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 2005.

On behalf of the Board

IAN MIDDLEMAS
Director

Perth, 12 September 2005

KPMG

Independent audit report to members of QED Occtech Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both QED Occtech Limited (the "Company") and the Consolidated Entity, for the year ended 30 June 2005. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

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

KPMG

Audit opinion

In our opinion, the financial report of QED Occtech Limited is in accordance with:

a) the *Corporations Act 2001*, including:

    i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2005 and of their performance for the financial year ended on that date; and

    ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

B C FULLARTON
Partner

Perth
12 September 2005

Lead Auditor's Independence Declaration under Section 307C of the Corporation 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 2005 there have been:

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

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

KPMG

KPMG

B C FULLARTON
Partner

Perth
12 September 2005

COMPLIANCE WITH ASX CORPORATE GOVERNANCE RECOMMENDATIONS

During the 2005 financial year, the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

Recommendation Ref	Notification of Departure	Explanation for Departure
2.1, 2.2, 2.3	No independent directors, including Chairman	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic. The Company's Chairman, Mr Douglas Miller, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent director. However the Board believes that the Chairman is able to and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman.
2.4	A separate Nomination Committee has not been formed.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.
4.2, 4.3	A separate Audit Committee has not been formed.	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.
9.2	There was no separate Remuneration Committee.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company. If the Company's activities increase in size, scope and/or nature, the appointment of a remuneration committee will be reviewed by the Board and implemented if appropriate.

The Board of Directors of QED Occtech Limited is responsible for its corporate governance, that is, the system by which the Company and its subsidiaries ("the Group") are managed.

1. Board of Directors

1.1 Role of the Board and Management

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Group is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Executive Director is responsible to the Board for the day-to-day management of the Group.

The Board has sole responsibility for the following:

- Appointing and removing the Executive Director and any other executives and approving their remuneration;
- Appointing and removing the Company Secretary / Chief Financial Officer and approving their remuneration;
- Determining the strategic direction of the Group and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Group's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

1.2 Composition of the Board and New Appointments

The Company currently has three Board members (see Directors' Report for further details). The Company's Constitution provides that the number of directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of an independent Non-Executive Chairman and additional independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

If the Company's activities increase in size, nature and scope the size of the Board will be reviewed periodically and the optimum number of directors required for the Board to properly perform its responsibilities and functions.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of directors (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3 Committees of the Board

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Group's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

1.4 Conflicts of Interest

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

1.5 Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

2. Ethical Standards

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Group.

2.1 Code of Conduct for Directors

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

The principles of the code are:

- A director must act honestly, in good faith and in the best interests of the company as a whole.
- A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A director must use the powers of office for a proper purpose, in the best interests of the company as a whole.
- A director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the company.
- A director must not make improper use of information acquired as a director.
- A director must not take improper advantage of the position of director.

- A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the company.
- A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A director should not engage in conduct likely to bring discredit upon the company.
- A director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

2.2 Code of Ethics and Conduct

The Company has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse company information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must notify management of that breach. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

2.3 Dealings in Company Securities

The Company's share trading policy imposes basic trading restrictions on all employees of the Company with 'inside information', and additional trading restrictions on the directors of the Company.

'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (eg. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

2.4 Interests of Other Stakeholders

The Company's objective is to continue to develop and market its patented technology and other technologies. As the Company derives its business by providing solutions to environmentally harmful practices, the Company aims to ensure the highest standard of environmental care is achieved in all its operations.

To assist in meeting its objective, the Company conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

3. Disclosure of Information

3.1 Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Executive Director or in their absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information is not material and need not be disclosed if:

a) A reasonable person would not expect the information to be disclosed or it is material but due to a specific valid commercial reason is not to be disclosed; and

b) The information is confidential; or

c) One of the following applies:

    i. It would breach a law or regulation to disclose the information;
    ii. The information concerns an incomplete proposal or negotiation;
    iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
    iv. The information is generated for internal management purposes;
    v. The information is a trade secret;
    vi. It would breach a material term of an agreement, to which the company is a party, to disclose the information;
    vii. It would harm the company's potential application or possible patent application; or
    viii. The information is scientific data that release of which may benefit the company's potential competitors.

The Executive Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

3.2 Communication with Shareholders

The Company places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Presentations at the Annual General Meeting/General Meetings; and
- Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

4. Risk Management

4.1 Identification of Risk

The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Executive Director and Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk to the Group are highlighted in the Business Plan presented to the Board by the Executive Director each year.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of operations and the financial position of the Group.

4.2 Integrity of Financial Reporting

Commencing 30 June 2004, the Company's Executive Director and Chief Financial Officer (or equivalent) report in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

4.3 Role of Auditor

The Company's practice is to invite the auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

5. Performance Review

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance; and
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

6. Remuneration Arrangements

The Company's remuneration policy is set out in the Remuneration Report section of the Directors' Report, included in the 2005 Financial Statements.

ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 30 September 2005.

1. TWENTY LARGEST SHAREHOLDERS

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

Ordinary Shares

Name	Ordinary Shares Number	Ordinary Shares Percentage
Mr Douglas Henery Miller	14,250,000	7.02
Renewable Energy Corporation Limited	10,250,000	5.05
Chesilton Pty Ltd	8,500,000	4.19
Arredo Pty Ltd	7,250,000	3.57
Bretnall Custodians Pty Ltd	6,900,000	3.40
Damen Holdings Pty Ltd	5,701,303	2.81
Westedge Investments Pty Ltd	5,600,000	2.76
Orsol Pty Ltd	5,005,263	2.47
Leseur Pty Ltd <Super Fund a/c.	5,000,000	2.46
Marjade Pty Ltd	3,200,000	1.58
Timothy John Foster	3,000,000	1.48
Golsan Pty Ltd	3,000,000	1.48
Mr Ronal Bearne Hawkins <Hawkins Super a/c>	2,800,000	1.38
Russell Nominees Pty Ltd <Tieleman Family a/c>	2,472,000	1.22
Mrs Lois Elizabeth McIntosh	2,307,346	1.14
Mr Matthew David Schmelzkopf	2,300,000	1.13
Mr John Joseph de Rosa & Mrs Antoinette Suzanna de Rosa	2,011,091	0.99
Mr Charles Bass The Bass Family Fund	1,630,000	0.80
Dr Graham Farquhar	1,500,000	0.74
Mr Brendon Connick and Mrs Catherine Connick	1,400,000	0.69
	94,077,003	**46.36%**

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of shareholders holders by size of holding:

Distribution	Ordinary Shares Number of Shareholders	Ordinary Shares Number of Shares
1 - 1,000	17	2,531
1,001 - 5,000	43	122,363
5,001 - 10,000	85	793,612
10,001 - 100,000	419	20,425,192
More than 100,000	269	181,703,839
Totals	833	203,047,537

There were 154 holders of less than a marketable parcel of ordinary shares.

3. VOTING RIGHTS

See Note 17 of the Notes to the Financial Statements.

4. SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, Substantial Shareholder notices have been received from the following:

Substantial Shareholder	Number of Shares
Douglas Miller	14,375,000

5. UNQUOTED SECURITIES

The names of the security holders holding more than 20% of an unlisted class of security are listed below:

Unlisted Options ($0.015 Exercise Price)

Bretnall Custodians Pty Ltd	15,000,000
Westedge Investments Pty Ltd	6,000,000
Bludgeon Pty Ltd	6,000,000
1 other holder (less than 20%)	3,000,000
TOTAL	**30,000,000**

6. ON-MARKET BUY BACK

There is currently no on-market buy back program for any of QED Occtech Limited's listed securities.