2007 Annual Report

QED Occtech Limited

ABN 98 057 335 672

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

CONTENTS

The operating loss of QED for the year ended 30 June 2007 was $374,986 (30 June 2006: $379,155). This loss is attributable to costs associated with business development activities, monitoring of the Company's current assets (primarily TSI) and other costs associated with the operation of a publicly listed company.

Transaction Solutions International

During the 2007 financial year, Transaction Solutions International plc ("TSI"), a company in which QED holds a 19.95% interest:

- has established a growing revenue and monthly transaction stream;
- expects to achieve over 100,000 transactions per month in the second half of calendar 2007;
- commenced the expansion of its iPay Bill Payment Kiosk machines;
- commenced the installation of its inexpensive bill payment terminals; and
- continued extensive business development activities to further progress its electronic payments business in India.

TSI is a business dedicated to the commercialisation and deployment of transaction payments hardware and solutions (including ATMs, Eftpos and bill payments) in India's emerging market. 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 utilities and their customers. This is planned to be achieved through the use of financial debit, credit and pre-paid cards, with TSI receiving a fee per transaction.

iPay Bill Payment Machines

Five co-branded NDPL / iPay (TSI) Bill Payment Kiosk machines were initially deployed as a trial in October 2006 with the largest power utility company in Northern India, North Delhi Power Limited ("NDPL"). Since then the expanded network (13 machines) is achieving approximately 50,000 transactions per month. Transaction volumes are still increasing and are expected to average 5,000 transactions per kiosk per month during the second half of calendar 2007.

An iPay Bill Payment kiosk looks like an ATM but instead of dispensing cash it accepts cash, cheques and financial cards. TSI collects approximately A$0.15 per transaction.

TSI has also been in discussions with a number of other major utility companies in India regarding the installation of its iPay Bill Payment Kiosks.

Bill Payment Machines

In March 2007, TSI further expanded its bill payment business to include South Haryana Electricity Board ("SHEB"), where the company initially installed 25 new bill payment terminals.

As of June 2007, TSI has a total of 35 terminals in SHEB, providing approximately 47,000 transactions with 17% growth in volume over May. TSI expects further increases in transaction volumes.

The agreement with SHEB provides for the installation and operation of up to 100 bill payment terminals. The installation of the terminals is expected to be completed by late calendar 2007.

The unique and relatively inexpensive bill payment solution provided by TSI is designed to capture a significant percentage of the 1.2 million customers of SHEB.

The payment terminals designed and placed for SHEB are less capital intensive than Payment Kiosks, whilst function, output and reliability are not compromised.

TSI has also signed an agreement with North Haryana Electricity Board (NHEB) for the provision of a bill payment solution. TSI has placed 3 trial machines which achieved an average of over 2,700 transactions per terminal in the first month, for a total of 8,124 transactions in June. Expansion of the NHEB network is expected in the coming months.

TSI expects to apply this business model to a number of other similar sized utility companies India. This is in line with TSI's fundamental business objective of building an economic recurring revenue business in the financial transaction services sector.

Waste Water Treatment Technology

During the financial year, the Company agreed to defer the receipt of its royalties for the use of its patented water treatment technology until the June 2007 quarter.

The licensee, QED Occtech Services Pty Ltd is continuing its efforts to finalise a number of potential contracts and attract new shareholders to participate in equity and management of the company. Although royalties recommenced in the June 2007 quarter, the royalty arrangement may be renegotiated in the 2008 financial year, subject to the ongoing corporate and/or operational outcomes for the licensee.

The sale of specialist equipment located in the United States was completed, which resulted in a profit of $61,139 being recorded during fiscal 2007.

The Company also continued to assess other opportunities for the application of its waste water treatment technologies.

Corporate and Financial Position

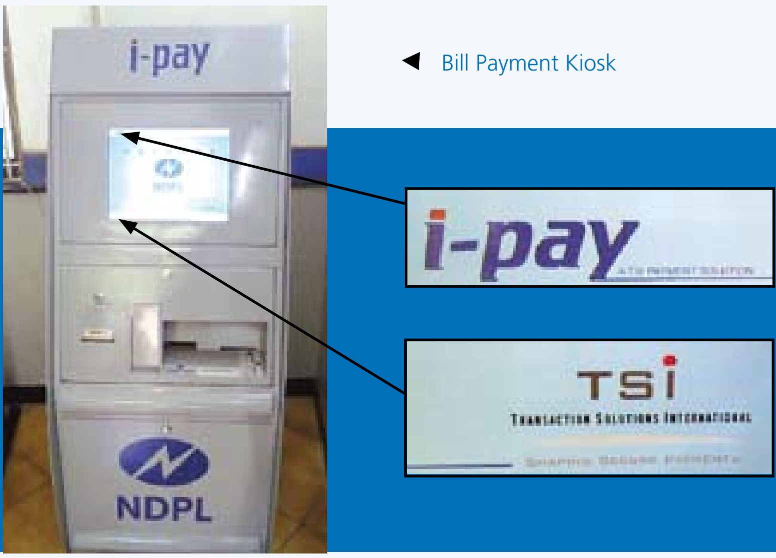
The Company continues to examine other new business development opportunities.

At 30 June 2007, the Company had cash reserves and receivables of approximately $1.3 million, gross assets of over $7.5 million, and net assets of $5.9 million. The Company is well placed to conduct its current activities and to pursue new business opportunities.

Business Strategies and Prospects

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

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



◄ Bill Payment Kiosk

▼ Easy Step instructions

The Directors present their report on QED Occtech Limited ("QED" or "Company") for the year ended 30 June 2007 and the Auditor's Report thereon.

DIRECTORS

The names and details of the Directors of QED during the financial year and until the date of this report are (unless otherwise disclosed, directors held their office from 1 July 2006 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 over 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 Financial Services Institute of Australasia.

During the three year period to the end of the financial year, Mr Middlemas has held directorships in Salinas Energy Limited (November 1995 - present), OmegaCorp Ltd (October 2000 – August 2007), Global Petroleum Limited (April 2007 – present), GulfX Limited (May 2007 – present), Indo Mines Limited (December 2006 – present), Mantra Resources Limited (September 2005 – present), Mavuzi Resources Limited (January 2007 – present), Odyssey Energy Limited (September 2005 – present), Pacific Energy Limited (June 2006 – present), Echelon Resources Limited (May 2002 – present), Sierra Mining Limited (January 2006 – present), Sovereign Metals Limited (July 2006 – present), Xenolith Gold Limited (March 2007 - present), Leyshon Resources Ltd (November 2001 - April 2006), Marion Energy Limited (August 2004 - December 2004), Agincourt Resources Ltd (October 2001 - December 2004), Berkeley Resources Ltd (July 2003 – November 2006) and Olea Australis Ltd (October 1999 - November 2004).

Mr Mark L Pearce
Non-Executive Director and Company Secretary

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

During the three year period to the end of the financial year, Mr Pearce has held directorships in OmegaCorp Limited (October 2000 – August 2007), Xenolith Gold Limited (March 2007 - present), GulfX Limited (May 2007 – present), Mantra Resources Limited (September 2005 – present), Mavuzi Resources Limited (January 2007 – present), Odyssey Energy Limited (September 2005 – present), Echelon Resources Limited (May 2002 – present), Sovereign Metals Limited (July 2006 – present), Sierra Mining Limited (January 2006 – August 2006), Berkeley Resources Limited (July 2003 – April 2006), Leyshon Resources Limited (November 2001 - April 2006), Salinas Energy Limited (February 2002 - July 2006) and Marion Energy Limited (August 2004 - December 2004).

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

A review of operations of the Company during the financial year ended 30 June 2007 is referred to in the Review of Operations (Pages 2 to 3) and forms part of this report.

DIVIDENDS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

ENVIRONMENTAL REGULATION

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

EVENTS SUBSEQUENT TO BALANCE DATE

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

LIKELY DEVELOPMENTS

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

OPTIONS OVER UNISSUED CAPITAL

Details regarding options over unissued shares for the period 1 July 2006 to the date of this report are contained in Note 14 of the attached Financial Statements.

DIRECTORS' INTERESTS

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

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

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	3	3
Ian P Middlemas	3	3
Mark L Pearce	3	3

REMUNERATION REPORT - AUDITED

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 is $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 Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and may in limited circumstances received options.

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 current or prior year.

REMUNERATION REPORT – AUDITED (continued)

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:

Director	Base Remuneration $	Other Benefits (non cash) $	Superannuation $	Retirement Benefits $	Total $
Douglas H Miller	$15,000	-	-	-	$15,000
Ian P Middlemas	$36,000	-	-	-	$36,000
Mark L Pearce	$15,000	-	-	-	$15,000

OFFICERS' INDEMNITIES AND INSURANCE

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

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

NON-AUDIT SERVICES

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

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, KPMG, to provide the Directors of QED Occtech Limited with an Independence Declaration in relation to the audit of the attached Financial Statements. The Lead Auditor's independence declaration is set out on page 8 and forms part of the Directors' Report for the year ended 30 June 2007.

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

On behalf of the Directors

MARK PEARCE
Director

Perth, Western Australia
29 August 2007

KPMG

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

To: The Directors of QED Occtech Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial period ended 30 June 2007 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

J G Robinson

J G ROBINSON
Partner

Perth
29 August 2007

	Notes	2007 $	2006 $
Revenue	2	25,000	100,000
Finance Income	2	77,848	7,079
Total Revenue		**102,848**	**107,079**
Other income	3(b)	61,139	-
Employee expenses		(66,000)	(69,932)
Depreciation and amortisation expenses	3(b)	(212,549)	(63,012)
Corporate administrative services		(189,058)	(131,045)
Bad and doubtful debts (expense)/recoveries	3(b)	-	(12,668)
Impairment of assets	3(b)	-	(140,000)
Other expenses		(71,366)	(94,913)
Loss before tax expense		**(374,986)**	**(379,155)**
Tax expense	4	-	-
Loss for the year		**(374,986)**	**(379,155)**

Loss per share attributable to the ordinary equity holders of the Company:		**Cents**	**Cents**
Basic earnings per share from continuing operations	16	(0.16)	(0,19)
Diluted earnings per share from continuing operations	16	(0.16)	(0,19)

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

BALANCE SHEET
AS AT 30 JUNE 2007

	Notes	2007 $	2006 $
ASSETS			
CURRENT ASSETS			
Cash assets	5	1,216,510	1,515,128
Receivables	6	144,194	55,000
Other assets	7	5,910	16,084
TOTAL CURRENT ASSETS		**1,366,614**	**1,586,212**
NON-CURRENT ASSETS			
Other financial assets	8	6,000,000	6,300,000
Non-current assets held for sale	9	-	-
Plant and equipment	10	11,112	100,001
Intangible assets	11	179,218	358,433
TOTAL NON-CURRENT ASSETS		**6,190,330**	**6,758,434**
TOTAL ASSETS		**7,556,944**	**8,344,646**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	58,625	168,290
TOTAL CURRENT LIABILITIES		**58,625**	**168,290**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	4(c)	1,587,509	1,677,509
TOTAL NON-CURRENT LIABILITIES		**1,587,509**	**1,677,509**
TOTAL LIABILITIES		**1,646,134**	**1,845,799**
NET ASSETS		**5,910,810**	**6,498,847**
EQUITY			
Contributed equity	13	18,075,081	18,078,132
Reserves	14	4,874,186	5,084,186
Accumulated losses		(17,038,457)	(16,663,471)
TOTAL EQUITY		**5,910,810**	**6,498,847**

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 $	2006 $
Cash flows from operating activities			
Receipts from customers		97,701	95,168
Interest received		77,848	7,079
Payments to suppliers and employees		(377,325)	(306,339)
Net cash used in operating activities	**17(a)**	**(201,776)**	**(204,092)**
Cash flows from investing activities			
Payments for investments		-	(375,000)
Net cash used in investing activities		-	**(375,000)**
Cash flows from financing activities			
Proceeds from the issue of shares		-	1,487,500
Transaction costs on the issue of shares		96,842	-
Net cash (used in)/provided by financing activities		**(96,842)**	**1,487,500**
Net increase in cash held		**(298,618)**	**908,408**
Cash at the beginning of the financial year		1,515,128	606,720
Cash at the end of the financial year	**5**	**1,216,510**	**1,515,128**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Issued Capital $	Other Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2005		**16,684,423**	**1,170,000**	**(16,284,316)**	**1,570,107**
Issue of shares	13(b)	1,487,500	-	-	1,487,500
Available for sale financial assets	14(a)	-	3,914,186	-	3,914,186
Share issue costs	13(b)	(93,791)	-	-	(93,791)
Amounts recognised directly in equity		1,393,709	3,914,186	-	5,307,895
Net loss for the year		-	-	(379,155)	(379,155)
Balance at 30 June 2006		**18,078,132**	**5,084,186**	**(16,663,471)**	**6,498,847**
Balance at 1 July 2006		**18,078,132**	**5,084,186**	**(16,663,471)**	**6,498,847**
Available for sale financial assets	14(a)	-	(210,000)	-	(210,000)
Share issue costs	13(b)	(3,051)	-	-	(3,051)
Amounts recognised directly in equity		(3,051)	(210,000)	-	(213,051)
Net loss for the year		-	-	(374,986)	(374,986)
Balance at 30 June 2007		**18,075,081**	**4,874,186**	**(17,038,457)**	**5,910,810**

Amounts are stated net of tax.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report was authorised for issue by the Directors on 29 August 2007.

The principal accounting policies adopted in preparing the financial report of the Company for the year ended 30 June 2007 are stated to assist in a general understanding of the financial report.

(a) Basis of Preparation

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

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

The financial report is presented in Australian dollars.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Investment in TSI

The Company currently holds a 19.95% investment in Transaction Solutions International plc ("TSI"). The investment in TSI is classified as available for sale and is carried at fair value. The Directors have sought independent advice regarding the fair value of this investment as at 30 June 2007. Based on that advice, the Board has determined the fair value to be $6,000,000 (2006: $6,300,000).

During the financial year, management also reassessed its estimates in respect of:

- The useful life of intangible assets. The total useful life was reassessed from 10 years to 4 years, with a remaining useful life at 30 June 2007 of one year. The net effect of the change in the current period was an increase in amortisation expense of $136,203 and a corresponding decrease to the carrying value of intangible assets.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

The Company has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006:

- Revised AASB 101 Presentation of Financial Statements (issued October 2006).

This includes applying the pronouncement to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. No adjustments to the financial statements were required for the above pronouncement but certain disclosures are no longer required and have therefore been omitted.

Except for the amendments to AASB 101 Presentation of Financial Statements, which the Company has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2007. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB 7	*Financial Instruments: Disclosures*	New standard replacing disclosure requirements of AASB 132	1 July 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Company's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Company's financial report.	1 July 2007
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, & AASB 1038]	Amendments arise from the release in August 2005 of AASB *7 Financial Instruments: Disclosures*	1 July 2007	As above	1 July 2007
AASB 8	Operating Segments	Replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting.	1 July 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Company's financial statements	1 July 2009
AASB 2007-3	Amendments to Australian Accounting Standard [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023, & AASB 1038]	Amendments arise from the release of AASB 8 *Operating Segments*	1 July 2009	As above	1 July 2009
AASB I-10	Interim Financial Reporting and Impairment	Clarifies that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.	1 November 2006	As the Company has not recognised an impairment loss on any such assets at an interim period and subsequently reversed the impairment loss in the annual report, this amendment is not expected to have any impact on the Company's financial report.	1 July 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB I-11	AASB 2 - Group and Treasury Share Transactions	Addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving the services.	1 March 2007	As equity instruments of one group entity have not been transferred to make payments on behalf of another group entity, this interpretation is not expected to have any impact on the Company's financial report.	1 July 2007
AASB 2007-1	Amendments to Australian Accounting Standard AASB 2	Amendments arise from the release of AASB Interpretation 11.	1 March 2007	As above	1 July 2007
AASB 2007-12	Service Concession Arrangements	This Interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements.	1 January 2008	As the Company is not a party to any service concession arrangements, this interpretation is not expected to have any impact on the Company's financial report.	1 July 2008
AASB 2007-2	Amendments to Australian Accounting Standards [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131, & AASB 139.]	Amendments arise from the release of AASB Interpretation 11	1 January 2008	As above	1 July 2008
AASB 2007-2	Amendments to Australian Accounting Standards	Also amends references to "UIG Interpretations" to "Interpretations".	Reporting periods ending on or after 28 February 2007	References to "UIG Interpretations" amended to "Interpretations".1 July 2006	1 July 2006

(c) Basis of Consolidation

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

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

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

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

(d) Segment Reporting

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

(e) Foreign Currency Translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

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

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

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

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

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

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

(f) Revenue Recognition

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

Sale of Goods
Control of the goods has passed to the buyer.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue Recognition (continued)

Interest
Control of the right to receive the interest payment has been attained.

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

(g) Income Tax

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

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

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

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

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

(h) Acquisition of Assets

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

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

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

(i) Impairment of Assets

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

(j) Cash and Cash Equivalents

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

(k) Receivables

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

(l) Investments and Other Financial Assets

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Investments and Other Financial Assets (continued)

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

(m) Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

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

(n) Property, Plant and Equipment

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

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

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

	Life
Plant and equipment	2 - 15 years

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

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

(o) Payables

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

Payables to related parties are carried at the principal amount.

(p) Employee Benefits

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

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

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

(q) Contributed Equity

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

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(r) Dividends

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

(s) Earnings per Share

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

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

(t) Goods and Services Tax

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Share-Based Payments

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

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

(v) Intangibles

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

(w) Non-Current Assets Held for Sale

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

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

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

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

	Notes	2007 $	2006 $
2. REVENUE			
Revenue			
Revenue from royalties		25,000	100,000
Finance Income			
Interest – other parties		77,848	7,079
		102,848	**107,079**

3. OTHER INCOME AND EXPENSES

a) Auditors remuneration:

		2007	2006
Audit and half year review of the Company's			
Financial Statements		27,325	35,405
Total remuneration paid/payable to Auditor		27,325	35,405

	Notes	2007 $	2006 $
b) The loss before tax expense has been determined after charging the following items:			
Depreciation			
Plant and equipment	10	33,334	20,000
Amortisation			
Patents	11	179,215	43,012
Total depreciation and amortisation		212,549	63,012
Impairment of assets			
Impairment loss on plant held for sale	9	-	70,000
Impairment loss on re-measurement to fair value of plant previously held for sale	10	-	70,000
Total impairment of assets		-	140,000
Profit on sale of plant and equipment		(61,139)	-
Doubtful debts expense/(write back)		-	(12,945)
Bad debts written off		-	277
Total bad debt expense/(recoveries)		-	(12,668)

4. INCOME TAX

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

(a) Recognised in the income statement

	2007	2006
Current Tax Expense/(Benefit)		
Current Year	(58,732)	(118,740)
	(58,732)	(118,740)
Deferred Tax Expense		
Tax losses not brought to account	58,732	118,740
Total income tax expense in the income statement	-	-

	2007 $	2006 $

4. INCOME TAX (continued)

(b) Reconciliation between tax expense and pre-tax net profit

	2007 $	2006 $
Loss before tax expense	(374,986)	(379,155)
Prima facie tax benefit at 30% (2006: 30%)	112,496	112,496
Decrease in income tax expense due to:		
Amortisation/impairment of intangibles	(53,764)	(12,904)
Non-deductible expenses	-	(9,954)
Tax losses not brought to account	(58,732)	(118,740)
Deferred tax assets not previously brought to account	-	27,851
Tax expense	**-**	**-**

(c) Deferred tax recognised directly in equity

	2007 $	2006 $
Deferred tax liability:		
Relating to change in fair value of available for sale financial assets	**1,587,509**	1,677,509

(d) Unrecognised deferred tax assets

The deferred tax assets not brought to account at 30% (2006: 30%) relating to income tax losses and timing differences, the benefits of which will only be realised if the conditions for deductibility as set out in Note 1(g) occur, are as follows:

	2007 $	2006 $
Tax losses and timing differences	**1,256,299**	1,068,668

5. CASH ASSETS

	2007 $	2006 $
Cash at bank and on hand	**1,216,510**	1,515,128

6. RECEIVABLE

	2007 $	2006 $
Current		
Trade and Other Debtors	186,194	97,000
Less provision for impairment	(42,000)	(42,000)
	144,194	55,000

7. OTHER ASSETS

	2007 $	2006 $
Current		
Refund of GST due	**5,910**	16,084

8. OTHER FINANCIAL ASSETS

	2007 $	2006 $
Non-Current		
Investments in other entities (a)	**6,000,000**	6,300,000

(a) This refers to an investment in Transaction Solutions International plc ("TSI"). QED currently holds a 19.95% (2006: 19.95%) interest in TSI. The investment is not equity accounted, as QED does not have the capacity to significantly influence the financial or operating policies of TSI.

The investment in TSI is classified as available-for-sale and is carried at fair value (2006: at fair value). The Directors have sought independent advice regarding the fair value of this investment as at 30 June 2007. Based on that advice, the Board has determined the fair value to be $6,000,000 (2006: $6,300,000). A deferred tax liability has been recognised in respect of this investment (refer Note 4(c)).

	2007 $	2006 $

9. NON-CURRENT ASSETS HELD FOR SALE

Plant and equipment		
Carrying amount at beginning of year (a)	-	260,001
Impairment Losses (b)	-	(70,000)
Transferred to Plant and Equipment (c)	-	(190,001)
Carrying amount at end of year	-	-

(a) This plant was initially classified as held for sale from 1 July 2004, following the decision of the Company's management to sell the plant at that time.

(b) An impairment loss of $70,000 on the measurement of the plant to fair value less cost to sell at 31 December 2005 has been recognised, and is included in the income statement.

(c) With effect from 1 January 2006 the plant ceased to be classified as held for sale on the basis that the Company's management now do not expect the sale be completed within 12 months. The carrying amount of the plant at 31 December 2005 was transferred to plant and equipment with effect from 1 January 2006 (refer to Note 10).

10. PLANT AND EQUIPMENT

Plant and Equipment		
At cost	905,820	1,663,759
Accumulated depreciation and impairment	(894,708)	(1,563758)
	11,112	100,001

Reconciliation

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

Plant and Equipment		
Carrying amount at beginning of year	100,001	-
Transferred from assets held for sale (a)	-	190,001
Loss on re-measurement (b)	-	(70,000)
Disposals	(55,555)	(55,555)
Depreciation	(33,334)	(20,000)
Carrying amount at end of year	**11,112**	100,001

(a) With effect from 1 January 2006 this plant ceased to be classified as held for sale on the basis that the Company's management now do not expect the sale be completed within 12 months. The carrying amount of the plant at 31 December 2005 was transferred to plant and equipment with effect from 1 January 2006 (refer to Note 9).

(b) AASB 5 Non-current Assets Held for Sale and Discontinued Operations requires that any asset that ceases to be classified as held for sale shall be re-measured to the lower of:

(i) Its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale; and
(ii) Its recoverable amount at the date of the subsequent decision not to sell.

A loss of $70,000 on the re-measurement of the plant to its recoverable amount at 1 January 2006 has been recognised, and is included in the income statement.

	2007 $	2006 $
11. INTANGIBLE ASSETS		
Patents		
At cost	1,036,000	1,036,000
Accumulated depreciation and impairment	(856,782)	(677,567)
	179,218	358,433

Reconciliation
Reconciliation of the carrying amount for intangible assets is set out below:

	2007 $	2006 $
Patents		
Carrying amount at beginning of year	358,433	401,445
Amortisation	(179,215)	(43,012)
Carrying amount at end of year	**179,218**	358,433

12. TRADE AND OTHER PAYABLES

	2007 $	2006 $
Current (Unsecured)		
Other creditors and accruals	**58,625**	168,290

13. CONTRIBUTED EQUITY

(a) Issued and paid up capital

	2007 $	2006 $
238,047,537 (2006: 238,047,537) ordinary shares	**18,075,081**	18,078,132

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

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

Date	Details	Note	Number of Shares	$
01/07/05	**Opening balance**		**203,047,537**	**16,684,423**
16/06/06	Share Placement	(i)	35,000,000	1,487,500
	Less expenses related to share issue		-	(93,791)
30/06/06	**Closing Balance**		**238,047,537**	**18,078,132**
	Less expenses related to previous share issue		-	3,051
30/06/07	**Closing Balance**		**238,047,537**	**18,075,081**

Notes

(i) On 16 June 2006 the Company issued 35,000,000 ordinary shares at 4.25 cents per share.

(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.

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.

	2007 $	2006 $
14 RESERVES		
(a) Reserves:		
Option Premium Reserve		
Opening Balance	1,170,000	1,170,000
Share based payments	-	-
Closing Balance	**1,170,000**	1,170,000
Investment Fair Value Reserve		
Opening Balance	3,914,186	-
Change in fair value of available for sale financial assets	(300,000)	5,591,695
Deferred tax liability in respect of change in fair value of available for sale financial assets	90,000	(1,677,509)
Closing Balance	**3,704,186**	3,914,186
Total Reserves	**4,874,186**	5,084,186

Option Premium Reserve
The option premium reserve is used to record the fair value of share based payments made by the Company.

Investment Fair Value Reserve
The investments available for sale reserve is used to record fair value changes on available for sale investments.

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

Date	Details	Number of $0.015 Options	$
01/07/05	Opening balance	30,000,000	1,170,000
30/06/06	Opening balance	30,000,000	1,170,000
30/06/07	**Closing Balance**	**30,000,000**	1,170,000

(c) 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.

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.

15. RELATED PARTIES

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

Executive Directors
Mr Ian P Middlemas

Non-Executive Directors
Mr Mark L Pearce
Mr Douglas H Miller

a) Key Management Personnel Compensation

The following tables provide the details of all key management personnel of the Company and the nature and amount of the elements of their compensation for the years ended 30 June 2006 and 30 June 2007.

2007 Key Management Person	Short-term Benefits $	Other Long-term Benefits $	Post-employment Benefits $	Termination Benefits $	Equity Compensation Benefits $	Total ($)
Douglas H Miller	15,000	-	-	-	-	15,000
Ian P Middlemas	36,000	-	-	-	-	36,000
Mark L Pearce	15,000	-	-	-	-	15,000
Total	**66,000**					**66,000**

15. RELATED PARTIES (continued)

a) Key Management Personnel Compensation (continued)

2006 Key Management Person	Short-term Benefits $	Other Long-term Benefits $	Post-employment Benefits $	Termination Benefits $	Equity Compensation Benefits $	Total ($)
Douglas H Miller	15,000	-	-	-	-	15,000
Ian P Middlemas	36,000	-	-	-	-	36,000
Mark L Pearce	15,000	-	-	-	-	15,000
Total	**66,000**	**-**	**-**	**-**	**-**	**66,000**

b) Individual Directors and Executives Compensation Disclosures

The Board has adopted a remuneration policy that takes into account the current size and nature of the Company's operations. 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 based on 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.

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2001 Annual General Meeting, is not to exceed $150,000 per annum. Directors' base fees are presently $15,000 per annum (2006: $15,000). 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.

Further information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors' Report on pages 6 to 7.

c) Loans to Key Management Personnel

There were no loans made to any key management personnel during the year ended 30 June 2007 (2006: Nil).

d) Other Transactions with Key Management Personnel of the Company

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

(i) Apollo Group Pty Ltd, a company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid $174,000 (2006: $131,045) for the provision of serviced office facilities, company secretarial services and other administration services for the period 1 July 2006 to 30 June 2007 which has been recognised as an expense. The amount is based on a monthly retainer due and payable in arrears, and is able to be terminated with one month's notice by either party.

e) Shareholdings of Key Management Personnel

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

2007 Key Management Person	Held at 1 July 2006 (No.)	Purchases (No.)	Received on exercise of options (No.)	Other Changes (No.)	Sales (No.)	Held at 30 June 2007 (No.)
Douglas H Miller	16,340,187	-	-	-	-	16,340,187
Ian P Middlemas	7,250,000	-	-	-	-	7,250,000
Mark L Pearce	-	-	-	-	-	-

No shares were granted to key management personnel during the 2007 reporting period as compensation.

2006 Key Management Person	Held at 1 July 2005 (No.)	Purchases (No.)	Received on exercise of options (No.)	Other Changes (No.)	Sales (No.)	Held at 30 June 2006 (No.)
Douglas H Miller	14,375,000	2,472,000	-	2,812,500	(506,813)	16,340,187
Ian P Middlemas	7,250,000	-	-	-	-	7,250,000
Mark L Pearce	-	-	-	-	-	-

No shares were granted to key management personnel during the 2006 reporting period as compensation.

f) Option and Right Holdings of Key Management Personnel

No options over ordinary shares of the Company were held directly, indirectly or beneficially by key management personnel of the Company or their related entities at any time during the financial year ended 30 June 2007.

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

	2007 $	2006 $

16. EARNINGS PER SHARE

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

	2007 $	2006 $
Loss attributable to ordinary equity holders of the Company from continuing operations	(374,986)	(379,155)
Loss attributable to ordinary equity holders of the Company from discontinued operations	-	-
Loss attributable to ordinary equity holders of the Company	(374,986)	(379,155)

Weighted average number of ordinary shares

	2007 Number of Shares	2006 Number of Shares
Weighted average number of fully paid ordinary shares on issue during the year used in the calculation of basic loss per share	238,047,537	204,485,893

Diluted loss per share

As at 30 June 2007, the Company 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 is the same as the basic earnings/(loss) per share.

Loss per share for continuing and discontinued operations

	2007	2006
	Cents per share	
Basic loss per share:		
From continuing operations	(0.16)	(0.19)
From discontinued operations	-	-
	(0.16)	(0.19)
Diluted loss per share:		
From continuing operations	(0.16)	(0.19)
From discontinued operations	-	-
	(0.16)	(0.19)

17. NOTES TO THE CASH FLOW STATEMENT

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

	2007 $	2006 $
Loss for the year	(374,986)	(379,155)
Non-cash items:		
Depreciation and amortisation	212,549	63,012
Provision for doubtful debts	-	(12,945)
Profit on sale of plant and equipment	(61,139)	70,000
Impairment loss on plant held for sale	-	-
Loss on re-measurement of plant previously held for sale	-	70,000
Change in operating assets and liabilities:		
Decrease (Increase) in receivables	27,500	(14,555)
Decrease (Increase) in other assets	10,174	6,124
Increase (Decrease) in payables	(109,665)	87,218
Decrease (Increase) in payables relating to capital raising costs	93,791	(93,791)
Net cash outflows used in operating activities	**(201,776)**	(204,092)

18. FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise cash and its investment in TSI.

The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are cash flow interest rate risk, liquidity risk, and credit risk.

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

(a) Cash flow interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash with a weighted average floating interest rate at year end of 6% (2006: 3.5%).

All other financial assets and liabilities, in the form of receivables, investments and payables are non-interest bearing.

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

(b) Credit risk

The Company trades only with recognised, creditworthy third parties.

It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Other than QED Occtech Services Pty Ltd, which has a license agreement with the Company for the payment of a $100,000 royalty per annum, there are no other significant concentrations of credit risk within the Company.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and investments, the Company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Company trades only with recognised third parties, there is no requirement for collateral.

(c) Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans if required.

(d) 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 balance sheet and in the notes to the financial statements.

19. SEGMENT INFORMATION

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

20. AFTER BALANCE DATE EVENTS

As at the date of this Financial Report there are no matters or circumstances which have arisen since 30 June 2007 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2007, of the Company;

(b) the results of those operations, in financials years subsequent to 30 June 2007, of the Company; or

(c) the state of affairs, in financial years subsequent to 30 June 2007, of the Company.

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 2007.

On behalf of the Board

MARK PEARCE
Director

Perth, 29 August 2007

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QED OCCTECH LIMITED

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of QED Occtech Ltd (the Company), which comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes, and the directors' declaration set out on pages 9 to 35.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

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

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position, and performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Auditor's opinion on the financial report

In our opinion:

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

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

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

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

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

KPMG

KPMG

JG Robinson

J G ROBINSON
Partner

Perth
29 August 2007

KPMG

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 2007 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

JG Robinson

J G ROBINSON
Partner

Perth
29 August 2007

COMPLIANCE WITH ASX CORPORATE GOVERNANCE RECOMMENDATIONS

During the 2007 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.

1. Board of Directors (continued)

1.2 Composition of the Board and New Appointments (continued)

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. Ethical Standards (continued)

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

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 Annual Financial Report.

The shareholder information set out below was applicable as at 18 September 2007.

1. TWENTY LARGEST SHAREHOLDERS

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

		Ordinary shares	
		Number	Percentage
1	Chesilton Pty Ltd	10,000,000	4.20%
2	Nefco Nominees Pty Ltd	10,000,000	4.20%
3	Pillage Investments Pty Ltd The Pillage Super Fund	9,970,000	4.19%
4	Bretnall Custodians Pty Ltd	8,536,678	3.59%
5	Arredo Pty Ltd	7,250,000	3.05%
6	Mr Douglas Henry Miller, Mrs Doris Brunilda Miller DH & DB Miller Super Fund Account	7,125,000	2.99%
7	Mr Douglas Henry Miller, Mrs Doris Brunilda Miller DH & DB Miller Super Fund Account	7,125,000	2.99%
8	Westedge Investments Pty Ltd	6,000,000	2.52%
9	Orsol Pty Ltd	5,005,263	2.10%
10	Lesuer Pty Ltd PMB Super Fund Account	5,000,000	2.10%
11	Mr John Joseph De Rosa Mrs Antoinette Suzanna De Rosa	3,784,485	1.59%
12	Mr David Banovich, Mrs Beverley Banovich The Banovich Super Fund Account	3,400,000	1.43%
13	Bimbury Super Pty Ltd Thompson Super Fund Number 2 Account	3,000,000	1.26%
14	Grand Lakes Stud Pty Ltd	3,000,000	1.26%
15	Ikon Management Pty Ltd	3,000,000	1.26%
16	Mr Steven James Callaghan Our Finance Account	2,710,758	1.14%
17	Timothy John Foster	2,400,000	1.01%
18	Brooks Investments (WA) Pty Ltd	2,335,720	0.98%
19	JBJ (Qld) Pty Ltd	2,300,000	0.97%
20	ANZ Nominees Limited Cash Income Account	2,120,000	0.89%
		104,062,904	43.72%

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of shareholders by size of holding:

Distribution	Ordinary Shares Number of Shareholders	Ordinary Shares Number of Shares
1 - 1,000	20	3,514
1,001 - 5,000	37	118,836
5,001 - 10,000	72	785,299
10,001 - 100,000	393	21,064,530
100,001 and over	291	216,075,358
	813	238,047,537
The number of shareholders holding less than a marketable parcel of shares are:	190	1,696,875

3. VOTING RIGHTS

See Note 14(c) of the Notes to the Financial Statements.

4. SUBSTANTIAL SHAREHOLDERS

As at 18 September 2007, Substantial Shareholder notices have been received from the following:

Substantial Shareholder	Number of Shares
Mr Douglas Henry Miller	16,847,000

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.