Energio Limited

(formerly Brainytoys Limited)

ABN 28 001 894 033

Annual Financial Report

for the year ended 30 June 2010

CORPORATE DIRECTORY

Directors	Nathan Taylor (Chairman) Faldi Ismail Athan Lekkas
Company Secretary	Sean Henbury
Registered Office	c/- FJH Solutions 21 Teddington Road Burswood WA 6100 Telephone: (08) 9486 2333 Facsimile: (08) 9355 4580
Share Registry	Link Market Services Limited Level 12, 680 George Street Sydney, NSW, 2000 Telephone: (02) 8280 7111 Facsimile: (02) 9287 030
Auditors	BDO Audit (WA) Pty Ltd 128 Hay Street Subiaco WA 6008
Solicitors to the Company	Steinepreis Paganin Lawyers and Consultants Level 4, The Read Buildings 16 Milligan Street PERTH WA 6000
Bankers	National Australia Bank Unit 14, 10 Livingstone Road ROCKINGHAM WA 6168
Stock Exchange Listing	Energio Limited's shares are listed on the Australian Securities Exchange ASX Code: EIO

CONTENTS

The Directors present their report on the consolidated entity comprised of Energio Limited (formerly Brainytoys Limited) (the Company or EIO) and the entities it controlled (hereinafter referred to as the Group) at the end of, or during, the financial year ended 30 June 2010.

Directors

The following persons were directors of Energio Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Nathan Taylor – Chairman /Non executive	(appointed 27th April 2010)
Athan Lekkas – Non executive	(appointed 27th April 2010)
Faldi Ismail – Non executive	(appointed 27th April 2010)
Mr Keith Bales – Non executive	(resigned 22nd October 2009)
Mr Colin Oxlade – Non executive	(appointed 11th June 2009, resigned 1 December 2009)
Mr John Walker – Non executive	(appointed 11th June 2009, resigned 30th October 2009)
Mr Richard Simpson – Non executive	(appointed 11th June 2009, resigned 28th October 2009)
Mr George Karafotias – Non executive	(appointed 28th October 2009, resigned 1 December 2009)
Mr Colin Manie – Non executive	(appointed 28th October 2009, resigned 1 December 2009)

Company Secretary

Mr Colin Oxlade, Mr Graham Seppelt , Mr George Karafotias, and Mr Sean Henbury

Principal Activities

The principal activities of the economic entity during the financial year were:

- Development of distribution and marketing network for the Company's toy and game products.
- Distribution and wholesales of toys, games and hobby products through wholly owned subsidiaries acquired effectively as of January 2008 in USA, United Kingdom (disposed 29/6/10) and Hong Kong (disposed 31/12/08)

Review of Operations and Operating Results

The consolidated entity was engaged in its principal activities during the financial year. The results of these operations are contained in the attached financial statements.

The consolidated profit of the economic entity for the year after providing for income tax amounted to $1,694,309.

On 21st August 2009 the Company entered into a compromise agreement for settlement of a contingent claim by Classic Media, Inc of $US425,000 by the payment to Classic Media of the sum of $A35,000.

On 1 December 2009, Bryan Hughes (**Administrator**) was appointed as administrator of Energio Limited (**Company**) under section 436C of the Corporations Act by the Company's sole secured creditor, Noble Investments Pty Ltd (**Noble**).

In accordance with Section 437C of the Corporations Act 2001, the functions and powers of the directors were suspended upon the appointment of administrators. The administrators may pursuant to Section 437A of the corporations Act 2001 perform any functions or exercise any power that would otherwise be performed or exercised by the directors.

The Company's securities had previously been voluntarily suspended from trading on the official list of ASX Limited (**ASX**) on 7 January 2009.

The Administrator called for proposals to recapitalise the Company with a view to seeking reinstatement to trading of its securities on ASX. The Administrator accepted a proposal by Romfal Corporate Pty Ltd for the restructuring and recapitalisation of the Company.

On 15 January 2010, the Company obtained the approval of its creditors to enter into a Deed of Company Arrangement (**DOCA**) so that all claims of creditors against the Company will be extinguished following a cash payment and the issue of Shares.

The proposal from Romfal Corporate Pty Ltd can be summarised as follows:

(a) all liabilities, contingent liabilities, obligations, warranties and long term commitments of the Company capable of being released by a DOCA were released and compromised by the DOCA;

(b) the Company undertook a consolidation of its issued capital as at the date of the shareholder meeting on a five (5) for one (1) basis (**Consolidation**);

(c) after the Consolidation, the Company undertook the following capital raisings and issues of securities:

  (i) an issue of 70,000,000 Shares at an issue price of 0.1 cents each to the Proponent (or its nominees) to raise $70,000;

  (ii) an issue of 70,000,000 free Options exercisable at 1 cent each on or before 30 November 2013 to the Proponent (or its nominees);

  (iii) an issue of up to and 400,000,000 Shares at an issue price of not less than 0.5 cents each to raise up to $2,000,000; and

  (iv) an issue of 50,000,000 Shares and 30,000,000 Options exercisable at 1 cent each and expiring on 30 November 2013, in satisfaction of part of the secured debt claim of Noble;

(d) of the funds referred to above, $350,000 was made available to the creditors of the Company and was allocated $150,000 (**Secured Cash Consideration**) to Noble and $200,000 (**Unsecured Cash Consideration**) to unsecured creditors (inclusive of priority employee claims and the Administrator's costs);

(e) the directors of the Company at the time were removed and replaced by Faldi Ismail, Athan Lekkas and Nathan Taylor;

(f) following completion of all of the matters set out above, the DOCA was terminated and the Company was reinstated to trading on ASX; and

The Company issued a supplementary prospectus on 20 April 2010 to increase the amount of funds to be raised by $400,000 by the issue of an additional 80,000,000 shares.

The Administrators recommended to the creditors that they approve a proposal for the reconstruction of the Company's capital at meetings of shareholders which was held on 24 March 2010. The proposed reconstruction has been implemented by way of Deeds of Company Arrangements.

The Administrators retired on 27 April 2010 and the new board was appointed and assumed control of the Company from that time.

Prior to the appointment of the administrators in December 2009, the Company was a global toys and games development company that had previously been on the cusp of production roll-out and sales through its global distribution network. The core business activities of Energio included:

(a) research and development of toy and game products;

(b) development of a distribution and marketing network for the Company's toy and game products; and

(c) distribution and wholesales of toys, games and hobby products through wholly owned subsidiaries in Australia, the U.S., UK and Hong Kong.

The new board of directors of Energio Ltd (**New Board**) intends to continue all of the existing business units operated by the Company. The New Board is initially undertaking a strategic review of business units with a view to streamlining operations so that the Company can return to profitable trading.

The Board has identified that the Company developed a substantial and wide-ranging body of expertise and knowledge in the International Toy business that can be harnessed to potentially re-enter the Toy market and develop significant business opportunities for Energio.

The Toy industry expertise ranged across multiple layers of operations and management, including:

- Successful multi-Toy developments utilizing complex mechanical and electric systems and incorporating high-level computer and electronics technologies
- Manufacturing expertise across multiple product types and forms; co-ordination of multiple manufacturers and suppliers
- Development of world-wide marketing and sales networks
- Ability to; identify strategic Toy industry acquisition opportunities; evaluate such opportunities and conclude successful agreements and acquisitions

To facilitate this, the Company has appointed Mr Alex Aguero as a key consultant to the Company to:

(a) conduct a review of the toy and gaming industries (both domestically and internationally) with a specific focus on the

Company's historical and planned future activities;

(b) provide a report to the Company based on the review with clear guidance on the business direction that Mr Aguero considers can be profitably exported by the Company; and

(c) develop a comprehensive business plan and marketing strategy for the Company.

The Company has identified that to fully evaluate the potential opportunities across these many areas, Energio will need to do the following:

- Review Toy market conditions, trends and state of the markets
- Review old Energio product list and identify candidates for further development.
- Review Technological advances relevant to current product lines.
- Identify and evaluate potential development and manufacturing partners.
- Identify and evaluate corporate opportunities.

On 29 June 2010 Energio Limited entered into an agreement for the disposal of the whole of the share capital of Brainytoys Inc and Brainytoys UK Limited (BRT Entities) and the assignment of all loans and other amounts due by the BRT entities to Energio Limited. The terms of the agreement included:

- Acquisition of Share Capital

  The purchaser is to acquire for a consideration of $1 the whole of the share capital of the BRT entities and the BRT loans prior to 30th June 2010.

- Indemnity

  In consideration for the payment to it of the sum of $22,500 the purchaser is to provide an unconditional indemnity in relation to all or any claims made against Energio by creditors of the BRT entities.

While the agreement had been entered into prior to year end, the paperwork necessary to effect the transfer of the share capital and assign the loans had not yet been finalised at the date of this report, the Company considers that it no longer controls the subsidiaries.

The Directors believe that by outsourcing the wind-up process of the BRT entities and obtaining the above mentioned indemnity, Energio will no longer be exposed to claims by BRT entity creditors, the cost of the US bankruptcy process and the significant accounting work and travel required to achieve a satisfactory resolution of it.

Subsequent Events

On 22 July 2010 following effectuation of the deed of company arrangement and completion of a capital raising, the Company was reinstated to official quotation on ASX.

On 19 July 2010 the Company issued 57,000,000 shares at $0.005 to raise $285,000.

As at the date of this directors' report, other than the above mentioned matters, the directors are not aware of any matter or circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in the financial years subsequent to 30 June 2010.

Future Developments

Likely developments in the operation of the Group and the expected results of those operations are included under the Review of Operations in this Directors' Report.

Further information as to likely developments in the operations of the Group and the expected results of those operations in subsequent financial years have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Dividends

The Directors do not recommend the payment of a dividend and no amounts have been paid or declared by way of dividend since the start of the financial year.

Environmental Regulation

The Group's current operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the first measurement period 1 July 2008 to 30 June 2009 the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

Information on Directors

The directors of the Company at any time during or since the end of the financial year are set out below, together with details of the qualifications, experience and responsibilities.

Name	Particulars
Mr Nathan Taylor	Chairman /Non Executive Director
Experience	Appointed 27th April 2010
Interest in Shares and Options	10,000,000 Fully Paid Ordinary shares
Directorships held in other listed entities in past three years	-
Background	Nathan is Co Head of Equity Capital Markets at StoneBridge Securities Limited, a boutique stockbroker headquartered in Sydney. Prior to joining StoneBridge in late 2008, Nathan worked within the UBS Equity Capital Markets team and prior to this within the Macquarie Bank Equity Capital Markets team. Throughout his investment banking career, Nathan has been involved in raising over A$6bn for ASX listed companies in the resources and related sectors and over A$10bn for other ASX listed companies. Prior to working for Macquarie Bank, Nathan worked as a corporate lawyer for Blake Dawson where he was involved in conducting due diligence and structuring a large number of regulated and unregulated M&A transactions. Nathan intends to leverage his contacts and skill set to originate, assess and structure transactions targeted by the Company.
Mr Faldi Ismail	Non Executive Director
Experience	Appointed 27th April 2010
Interest in Shares and Options	37,000,000 Fully Paid Ordinary shares 10,000,000 Options exercisable at 1 cent each on or before 30 November 2013
Directorships held in other listed entities in past three years	Kangaroo Resources Limited (KRL), Coventry Resources Limited (CVY), Cape Range Limited (CAG), Pan Asia Corporation Limited (PZC), and NSL Consolidated Limited (NSL)
Background	Faldi has many years experience as a corporate consultant specialising in the restructure and recapitalisation of a wide range of ASX-listed companies. Faldi spent over four years working as a tax supervisor with a major Perth based Accounting firm as well as being a senior within their Corporate Restructuring Division. Faldi operates his own corporate consultancy company and has specialist skills in mergers and acquisitions, capital raisings and has many years of investment banking experience covering a wide range of sectors, with a specific focus on the resource sector.
Mr Athan Lekkas	Non Executive Director
Experience	Appointed 27th April 2010
Interest in Shares and Options	41,999,946 Fully Paid Ordinary shares
Directorships held in other listed entities in past three years	Pan Asia Corporation Limited (PZC)

Background	Athan has participated in a broad range of business and corporate advisory transactions and projects for a diverse range of ASX listed and unlisted companies, including the banking, mining and corporate finance industries in Australia and abroad. He is experienced particularly in the treasury and financial market sectors including financial feasibility studies for the provision of debt or equity for project funding. He has analysed and evaluated projects for various public listed and private companies. Athan has successfully consulted and presently provided services to a consortium of local and overseas manufacturers, steel mills, and presently has service and supply agreements with various ITW subsidiaries (US Listed Company), Wesfarmers Industrial (ASX listed) and various Bunning principles. The majority of these projects have involved managing the implementation of a strategic plan. Athan has more recently focused and specialised on the restructure and recapitalisation of a wide range of ASX listed companies. Athan has harnessed his valuable network of sophisticated investors in both Australia and abroad, with strategic investments and project advisory.
Mr Colin Oxlade	Appointed 11th June 2009. Resigned 1st December 2009.
Mr John Walker	Appointed 11th June 2009. Resigned 30th October 2009
Mr Richard Simpson	Appointed 11th June 2009. Resigned 28th October 2009.
Mr George Karafotias	Appointed 28th October 2009. Resigned 1 December 2009
Mr Colin Manie	Appointed 30th October 2009. Resigned 1 December 2009

Company Secretary

Mr Sean Henbury, Mr Graham Nicole (Resigned 07/09)

Directors' Shareholdings

The following table sets out each Director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

	Fully Paid Ordinary Shares	Share Options
Nathan Taylor	10,000,000	-
Athan Lekkas	41,999,946	-
Faldi Ismail	37,000,000	10,000,000

REMUNERATION REPORT - AUDITED

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Services agreements

D Share-based compensation

E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

There were no executives other than Directors of the Company during the financial year. Hence no executive disclosures are made in this report. The remuneration arrangements detailed in this report are for Non-Executive as follows:

- Mr Faldi Ismail – (appointed 27th April 2010)
- Mr Athan Lekkas – (appointed 27th April 2010)
- Mr Nathan Taylor – (appointed 27th April 2010)
- Mr Keith Bales – (resigned 22nd October 2009)
- Mr Colin Oxlade – (appointed 11th June 2009, resigned 1 December 2009)
- Mr John Walker – (appointed 11th June 2009, resigned 30th October 2009)
- Mr Richard Simpson – (appointed 11th June 2009, resigned 28th October 2009)
- Mr George Karafotias – (appointed 28th October 2009, resigned1 December 2009)
- Mr Colin Manie – (appointed 28th October 2009, resigned 1 December 2009)

A Principles used to determine the nature and amount of remuneration

The objective of the Group's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered and set to attract the most qualified and experienced candidates.

Remuneration levels are competitively set to attract the most qualified and experienced directors, in the context of prevailing market conditions.

The Group embodies the following principles in its remuneration framework:
- the Board seeks independent advice on remuneration policies and practices including recommendations on remuneration packages and other terms of employment for Directors; and
- In determining remuneration, advice is sought from external consultants on current market practices for similar roles, the level of responsibility, performance and potential of the director and performance of Energio Limited.

In accordance with best practice corporate governance, the structure of non-executive and executive remuneration is separate and distinct. Remuneration committee responsibilities are carried out by the full Board. Remuneration is not linked to past company performance but rather towards general shareholder wealth through share price performance.

Non Executive Director

Fees and payments to the Non-Executive Director reflect the demands which are made on, and the responsibilities of the Director. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Non-Executive Chairman fees are determined based on competitive roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

The current base remuneration was last reviewed in April 2010. The Chairman currently receives a fixed fee for his services as a Director.

The Group's Non-Executive Director's remuneration package contains the following key elements:
- primary benefits – monthly Director's fees

Non-Executive Director fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders.

No retirement benefits are provided.

Executive Directors

The Company had no Executive Director during the year.

The following table shows the gross revenue, losses and share price of the Group at the end of the respective financial years.

	30 June 2006	30 June 2007	30 June 2008	30 June 2009	30 June 2010
Revenue	32,192	14,748	4,776,393	3,673,137	1,623,219
Net profit /(loss)	(1,806,389)	(3,542,858)	(4,023,544)	(7,168,819)	1,694,309
Share price	28c	45c	43c	-	-

B Details of remuneration

The key management personnel of the Group are the Directors of Energio Limited and specified executives. Details of the remuneration of the Directors of the Group and executives is set out below:

2010	Short-term benefits			Post-employment benefits	Share-based payment		Proportion of remuneration relating to performance	Value of options /shares as % of remuneration
Name	Cash salary and fees	Cash bonus	Non-cash Benefits	Super-annuation	Options/ shares	Total		
	$	$	$	$	$	$	%	%
Non Executive directors								
Nathan Taylor	9,000	-	-	-	-	9,000	0	-
Athan Lekkas	9,000	-	-	-	-	9,000	0	-
Faldi Ismail	10,500	-	-	-	-	10,500	0	-
Colin Oxlade	-	-	-	-	-	-	0	-
John Walker	-	-	-	-	-	-	0	-
Richard Simpson	-	-	-	-	-	-	0	-
George Karafotias	-	-	-	-	-	-	0	-
Colin Manie	-	-	-	-	-	-	0	-
Other Key Management Personnel								-
Sean Henbury	17,543	-	-	-	-	17,543	-	-
	46,043	-	-	-	-	46,043	0	-

2009	Short-term benefits			Post-employment benefits	Share-based payment		Proportion of remuneration relating to performance	Value of options /shares as % of remuneration
Name	Cash salary and fees	Cash bonus	Non-cash Benefits	Super-annuation	Options/ shares	Total		
	$	$	$	$	$	$	%	%
*Executive directors**								
Charles MacKinnon(2)	90,000	-	-	-	-	90,000	0	-
Graham Nicol(3)	42,000	-	-	-	-	42,000	0	-
Alex Aguero(1)	50,000	-	-	-	-	50,000	0	-
Bob Finn	126,371	-	-	-	-	126,371	0	-
*Non-executive directors**								
Larry Bernstein	10,794	-	-	-	-	10,794	0	-
Keith Bales	6,250	-	-	562	-	6,812	0	-
Other key management personnel								
Jones Lee	68,992	-	-	-	-	68,992	0	-
Jeff Berndt	45,165	-	-	-	-	45,165	0	-
Jim Andrews	201,206	-	-	-	-	201,206	0	-
	640,778	-	-	562	-	641,340	0	-

(1) The Company had entered into an agreement with Highforce Investments Pty Ltd under which Highforce has agreed to provide the service of Mr Aguero as a Managing Director for the sum of $100,000 per annum. Mr Aguero is the sole Director and shareholder of Highforce Investments Pty Ltd.

(2) The Company had entered into an agreement with Lothbury Advisory Pty Ltd under which Lothbury has agreed to, among other things, provide the services of Mr Mackinnon as an Executive Chairman and Chief Financial in Officer in addition to a range of corporate and capital raising services for a fee of $15,000 per month. Mr Mackinnon is a Director and an ultimate shareholder in Lothbury Advisory Pty Ltd.

(3) The Company had entered into an agreement with Mr Nicol CPA for the provision of accounting services, financial systems and analysis, reporting and projections, audit liaison and secretarial services at a rate of $72,000 per annum commencing 1st January 2008.

* These directors are considered to be parent entity key management personnel as disclosed in Note 6 to the Financial Statements

C Services agreements

On appointment, the Non-Executive Directors enter into a service agreement with the Group in the form of a letter of appointment. The letter outlines the Board policies and terms, including remuneration relevant to the office of director. The agreements are not for a fixed period, and may be terminated by the Group or by the Non-Executive Directors at any time. Mr Ismail is being paid $3,500 per month plus GST as applicable and all costs necessarily incurred. Mr Taylor and Mr Lekkas are being paid $3,000 per month plus GST as applicable and all costs necessarily incurred.

Termination benefits

The Group is not liable for any termination benefits on termination of the directors.

An agreement is in place between the Company and FJH Solutions Pty Limited, a company in which Mr Henbury is a Director, whereby FJH Solutions provides company secretarial, administration, and accounting services to the Company. The engagement is not for a fixed period, and may be terminated by the Company or by Mr Henbury at any time. The terms and conditions to which this contract is entered is a normal arms length transaction.

D Share-based compensation

No shares or options were provided as remuneration during the year.

E. Additional information

Details of remuneration; cash bonuses and options

No cash bonus or options were provided as remuneration during the year.

This is the end of the remuneration report

Meetings of Directors

During the financial year, meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	COMMITTEE MEETINGS					
	DIRECTORS' MEETINGS		DUE DILIGENCE COMMITTEE		REMUNERATION COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Nathan Taylor	3	3	-	-	-	-
Athan Lekkas	3	3	-	-	-	-
Faldi Ismail	3	3	-	-	-	-
Colin Oxlade	-	-	-	-	-	-
John Walker	-	-	-	-	-	-
Richard Simpson	-	-	-	-	-	-
George Karafotias	-	-	-	-	-	-
Colin Manie	-	-	-	-	-	-

* *includes board subcommittee for consideration of corporate and secretarial matters as they arise in Australia and circular resolutions.*

Shares Under Option

At the date of this report, the un-issued ordinary shares of Energio Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
9 May 2007	31 December 2011	$1.625	1,100,000
17 October 2007	14 September 2012	$1.00	15,000
12 February 2008	31 December 2012	$1.25	200,000
19 May 2008	31 March 2013	$1.00	14,972,599
27 April 2010	30 November 2013	$0.01	100,000,000
			116,287,599

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate.

10,054,498 options lapsed on 30 June 2009 with an exercise price of $0.25 per option.

On 9 January 2010 900,000 options lapsed with an exercise price of $0.20 per option.

On 31 December 2009, 1,159,714 options lapsed with an exercise price of $0.09 per option.

5,500,000 options with an exercise price of $0.325 per share on or before 31 December 2011 were consolidated on a 1 for 5 basis to become 1,100,000 options with an exercise price of $1.625 per share on or before 31 December 2011.

75,000 options with an exercise price of $0.20 per share on or before 14 September 2012 were consolidated on a 1 for 5 basis to become 15,000 options with an exercise price of $1.00 per share on or before 31 December 2012.

1,000,000 options with an exercise price of $0.25 per share on or before 31 December 2012 were consolidated on a 1 for 5 basis to become 200,000 options with an exercise price of $1.25 per share on or before 31 December 2012.

74,862,708 options with an exercise price of $0.20 per share on or before 31 December 2013 were consolidated on a 1 for 5 basis to become 14,972,599 options with an exercise price of $1.00 per share on or before 31 December 2013.

Proceedings on Behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring all its Directors and current and former executive officers against a liabilityincurred as such a director or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Non-audit Services

There were no non-audit services provided by BDO Audit (WA) Pty Ltd during the financial year. Accordingly, the Directors are satisfied that the provision of non-audit services, during the year, by BDO Audit (WA) Pty Ltd is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of amounts paid or payable to BDO Audit (WA) Pty Ltd for audit services provided during the year are outlined in Note 7 to the financial statements.

Officers who were previously partners of the audit firm

There are no officers of the Company who were previously principals of the current audit firm, BDO Audit (WA) Pty Ltd or related entities.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

Auditor

BDO (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

Athan Lekkas

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Dated 30 September 2010

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30 September 2010

Board of Directors
Energio Ltd
21 Teddington Road
BURSWOOD WA 6100

Dear Sirs,

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF ENERGIO LIMITED

As lead auditor of Energio Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Energio Limited and the entities it controlled during the period.

Chris Burton
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the Company are set and achieved, how risk is monitored and assessed, and how performance is optimised. Good corporate governance structures encourage companies to create value (through entrepreneurism, innovation, development and exploration) and provide accountability and control systems commensurate with risks involved.

Good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances. Energio Limited is currently focuses in the Toy industry as well as seeking out other opportunities that may not be associated with the sector.

The Company's Board and management are committed to a high standard of corporate governance practices, ensuring that the Company complies with the Corporations Act 2001, Australian Securities Exchange (ASX) Listing Rules, Company Constitution and other applicable laws and regulations.

However, at this stage of the Company's corporate development, implementation of the ASX Corporate Governance Principles and Recommendations, whilst wholeheartedly supported, is not practical in every instance given the modest size and simplicity of the business. The principles and recommendations and details of the current and evolving governance practices are identified in the following pages.

During the year the company was suspended from official quotation and in control of the Administrator. Consequently during this time compliance with governance did not occur.

Principle 1: Lay solid foundations for management and oversight

The Board has the responsibility of protecting the rights and interests of shareholders and enhancement of long-term shareholder value. To fulfill this role, the Board is responsible for:

- Appointment of the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
- Driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- Approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- Approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- Approving the annual, half yearly and quarterly accounts;
- Approving significant changes to the organisational structure;
- Approving the issue of any shares, options, equity instruments or other securities in the Company;
- Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- Recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- Meeting with the external auditor, at their request, without management being present.

Principle 2: Structure the Board to add value

The Board is currently made up of three directors, none of whom are considered independent. The Board considers a director to be independent where he or she is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the director's ability to act in the best interests of the Company. This is not compliant with the ASX Corporate Governance Councils recommendations that the majority of Directors should be independent non-executives and the Chairman should be independent. The Board considers the current composition to be both satisfactory and realistic under the present circumstances.

Under the Company's Constitution and the Australian Stock Exchange Listing Rules, all directors are subject to shareholder re-election every three years.

The full Board currently hold a number of scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address significant matters as they arise.

Standing Board meeting agenda items include the Managing Director's report, financial reports, strategic matters, governance and compliance.

Board members possess complementary business disciplines and experience aligned with the Company objectives. The experience and qualifications of directors are noted in the Directors' Report.

Where any director has a personal interest in a matter, the director is not permitted to be present during discussions or to vote on the matter. The enforcement of this requirement ensures that the interest of shareholders, as a whole, are pursued and not jeopardised by a lack of a majority of independent directors.

The Company has developed Board committee charters for both the audit committee and remuneration committee, however due to the size of the Company the Board has not established committees to review compensation arrangements of senior executives or to manage Board succession. The full board approves all management remuneration including the allocation of options and involves itself in the nomination, selection and retirement of directors.

The Company will give consideration at an appropriate juncture in the Company's development, for the creation of a Nomination and Remuneration committee. The current size of the full Board permits it to act as the nomination committee and to regularly review membership. The Board will give consideration to appointment of specialist and independent directors when the activities and scale of operation of the Company warrant such appointments.

The Board reviews the performance of Board members regularly on an on-going basis. The reviews are conducted by the Chairman and involve an exchange of views with all the members of the Board. In particular, the Board assesses the appropriate mix of skills, experience and expertise required by the Board and assesses the extent to which the required skills and experience are represented on the Board.

The Board intends to formally introduce a formal process of self assessment of its collective performance, the performance of individual directors and of Board committees.

Principle 3: Promote ethical and responsible decision making

The Company actively promotes ethical and responsible decision-making. As at 30 June 2009, the Company had established a formal code of conduct that address practices necessary to maintain confidence in the Company's integrity, The code takes into account the Board's legal obligations and the reasonable expectations of its stakeholders. In addition, it is a condition of each employee's employment contract that they uphold minimum standards of generally accepted ethical conduct.

Dealing in company shares

The Board has formally instituted a Company requirement that limits the purchase or disposal of shares by directors, officers and employees to the period of 4 weeks from the:

(a) date of the Company's Annual General Meeting;
(b) release of the quarterly results announcement to the Australia Stock Exchange (**ASX**);
(c) release of the half yearly results announcement to the ASX;
(d) release of the preliminary final results announcement to the ASX; or
(e) release of a disclosure document offering securities in the Company.

EIO has a policy agreed to by the Board members, other company officers and employees that any proposed trade in the Company's securities is to be firstly advised to the Chairman. Once the Chairman has given approval, the relevant person may execute the trade. Such policy clearly mitigates the risk of breaching the insider trading provisions and gives the Chairman control to restrict trading if the Chairman may be privy to sensitive information before the other company officers and personnel are, or the Chairman has knowledge that certain sensitive information (eg exploration results) are due for receipt within a short term timeframe.

Directors, officers and employees with any non-public sensitive information are prohibited from purchasing or disposing of Company shares, in accordance with the Corporations Act 2001.

Directors must advise the Company of any transactions conducted by them in the shares of the Company, in accordance with the Corporations Act 2001 and ASX Listing Rules.

The Board has approved and published in the public domain the Guidelines for Buying and Selling Securities which details the points listed above.

Principle 4: Safeguard integrity in financial reporting

The Board has previously established an audit committee whose responsibility it was to monitor and review the effectiveness of the Company's controls in the areas of operational and balance sheet risk, legal and regulatory compliance and financial reporting.

With the change of Board, the Company presently does not have a separately constituted audit committee as it is not presently of a size, or its affairs of such complexity, to warrant such a committee. All matters capable of delegation to such a committee are presently dealt with by the full Board. The Board is responsible for the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. A charter (terms of reference) is being formulated and evolving.

The responsibilities include:

- reviewing and approving statutory financial reports and all other financial information distributed externally;
- monitoring the effective operation of the risk management and compliance framework;
- reviewing the effectiveness of the Company's internal control environment including compliance with applicable laws and regulations;
- the nomination of the external auditors and the review of the adequacy of the existing external audit arrangements; and
- considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence.

The external auditor, BDO has engagement terms refreshed annually and has indicated its independence to the Board. BDO were appointed as auditors prior to the company's change in Board.

Principle 5 & 6: Make timely and balanced disclosures and respect the rights of shareholders

The Board adopts communications strategies and practices to promote communication with shareholders, in language capable of interpretation, and to encourage effective participation at General Meetings. The external auditor will attend the meeting to respond to specific questions from shareholders relating to the conduct of the audit and the preparation and content of the auditor's report.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

- reports distributed to all shareholders; and
- notices of all meetings to shareholders.

The Board encourages full participation of shareholders at the General Meetings to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to shareholders as single resolutions.

Shareholders are requested to vote on the appointment of directors, the granting of options and shares to directors and changes to the Constitution. Copies of the Constitution are available to any shareholder upon request.

Material information is lodged immediately with the ASX and on acknowledgement, disseminated by posting to the website.

Timely and balanced disclosure

The Board supports the Australasian Investor Relations Association "Best Practice Guidelines for Communication between Listed Entities and the Investment Community". The Board endorses a culture in favour of continuous disclosure and recognises the benefits of consistency to be achieved through a dedicated authorised spokesperson.

Material information is lodged immediately with the ASX and on acknowledgement disseminated by posting to the website. A strict protocol is practiced for all investors/ analyst/ media meetings, group briefings and conference calls.

Principle 7: Recognise and manage risk

The Company has identified material business risks associated with its day-to-day operations and the possible impacts on the Company as a consequence. The Company aims to review its' risk management policies on a quarterly basis to mitigate material risks identified from eventuating and to ensure a sound internal control system is in place. The Managing Director is required to report to the Board if any material business risks that significantly impact on the business have arisen since the last Board meeting and if an effective internal control policy is in place and has been followed (as applicable). The Board declares that it has received assurance from the Managing Director that a sound and effective risk management and internal control had been adhered to during the financial year ended 30 June 2009.

As part of the Company's internal risk management policies, the Managing Director and company secretary have recently completed a formal review identifying risk areas and internal controls required to mitigate such risk. The report relating thereto has been circulated to the Board concluding that an effective internal control system is in place. Such review will occur on an ongoing basis.

In summary, the Company's internal risk management policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organization structure with clearly drawn lines of accountability and delegation of authority. The Board actively promotes a culture of quality and integrity.

Principle 8: Remunerate fairly and responsibly

Due to the size of the Group the Board has not established committees to review compensation arrangements of senior executives or to manage Board succession. The full board approves all management remuneration including the allocation of options and involves itself in the nomination, selection and retirement of directors.

The Board is kept advised on remuneration and incentive policies and practices generally and makes specific recommendations in relation to compensation arrangements for executive and non-executive directors and in respect of all equity based remuneration plans.

The remuneration policy states that executive directors may participate in share option schemes with the prior approval of shareholders. Other executives may also participate in employee share option schemes, with any option issues normally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to executives outside of approved employee option plans in appropriate circumstances. The Company has not distinguished the structure of non-executive directors' remuneration from that of executive director due to its size.

The Board also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior promotions.

Access to professional advice

Issues of substance are considered by the Board with external advice from its professional advisers as required. The Board's individual members can seek independent professional advice at the Company's expense in carrying out their duties.

SUMMARY

Energio Limited has adopted or is in the process of adopting the following policies and charters: Board Charter, Corporate Code of Conduct, Guidelines for Buying and Selling Securities, Audit Committee Charter, Continuous Disclosure Policy, Shareholder Communication Policy and Remuneration Committee Charter.

The Company is non-compliant with respect to the Directors being considered independent for reasons stated. Similarly the Company does not have a Nomination Committee. Other corporate practices continue to evolve.

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Note	Economic Entity		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
Revenue from continuing operations	2	-	3,673,137	-	-
Other income	2	1,623,219	-	1,623,219	-
Cost of goods sold (including distribution)		-	(1,470,665)	-	-
Accounting and Audit Fees		(58,312)	(229,549)	(58,312)	(88,602)
Advertising, exhibits, product samples		-	(331,486)	-	(81,964)
Interest expense	3	(135,890)	(344,737)	(135,890)	(260,230)
Foreign exchange gain/(loss)	3	-	15,667	-	15,667
Consultancy Fees		(53,605)	(192,639)	(53,605)	(379,862)
Depreciation and amortisation expense	3	-	(35,053)	-	(21,488)
Insurance		-	(123,377)	-	(3,437)
Employee benefits		-	(1,207,920)	-	(109,560)
Product Licences		-	(35,000)	-	(35,000)
Rent, rates & taxes	3	-	(249,214)	-	(14,804)
Research and Development		-	(13,809)	-	-
Travel and Accommodation		(2,318)	(138,606)	(2,318)	(36,770)
Loss on disposal of subsidiary		-	-	-	(992,120)
Impairment losses – receivables		-	(150,235)	-	(5,160)
Profit/(Loss) on sale of fixed assets	3	-	(59,503)	-	(14,999)
Impairment of goodwill – Brainytoys, Inc		-	(367,543)	-	-
Impairment of intercompany loans and investments		-	-	-	(5,313,271)
Impairment of licence fee – Marshmallow Fun Company		-	(5,504,431)	-	-
Licence fee consideration not paid		-	1,037,212	-	-
Administration settlement costs		(350,000)	-	(350,000)	-
Legal fees		(39,490)	-	(39,490)	-
Other expenses		(57,133)	(736,896)	(57,133)	(73,609)
Profit /(Loss) from continuing operations		926,471	(6,464,647)	926,471	(7,415,209)
Income tax benefit	4	-	58,662	-	-
Profit /(Loss) from continuing operations		926,471	(6,405,985)	926,471	(7,415,209)
Profit /(Loss) from discontinued operations	5	767,838	(762,834)	-	-
Profit /(Loss) attributable to the owners of Energio Limited		1,694,309	(7,168,819)	926,471	(7,415,209)
Other comprehensive income					
Exchange differences on translation of foreign operations		(448,701)	639,448	-	-
Total comprehensive income /(loss) for the year		1,245,608	(6,529,371)	926,471	(7,415,209)

Total comprehensive income for the year is attributable to the owners of Energio Limited.

	Note	Economic Entity		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
Overall Operations					
Basic earnings per share (cents per share)	8	0.90	(6.2)		
Diluted earnings per share (cents per share)	8	0.49	N/A		
Continuing Operations					
Basic earnings per share (cents per share)	8	0.59	(5.5)		
Diluted earnings per share (cents per share)	8	0.32	N/A		

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2010

	Note	Economic Entity		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
CURRENT ASSETS					
Cash and cash equivalents	9	2,015,128	50,974	2,015,128	11,148
Trade and other receivables	10	24,982	1,185,994	24,982	-
Inventories	11	-	130,656	-	-
TOTAL CURRENT ASSETS		**2,040,110**	**1,367,624**	**2,040,110**	**11,148**
NON-CURRENT ASSETS					
Property, plant and equipment	12	-	42,909	-	-
Patents and Trademarks	13	-	-	-	-
Intangible Assets	14	-	-	-	-
Other financial assets	15	-	-	-	-
Receivables	16	-	-	-	-
TOTAL NON-CURRENT ASSETS		**-**	**42,909**	**-**	**-**
TOTAL ASSETS		**2,040,110**	**1,410,533**	**2,040,110**	**11,148**
CURRENT LIABILITIES					
Trade and other payables	17	216,045	1,584,550	216,045	556,105
Borrowings	18	-	1,847,526	-	1,157,449
TOTAL CURRENT LIABILITIES		**216,045**	**3,432,076**	**216,045**	**1,713,554**
NON-CURRENT LIABILITIES					
Borrowings	18	-	-	-	-
TOTAL NON-CURRENT LIABILITIES		**-**	**-**	**-**	**-**
TOTAL LIABILITIES		**216,045**	**3,432,076**	**216,045**	**1,713,554**
NET ASSETS		**1,824,065**	**(2,021,543)**	**1,824,065**	**(1,702,406)**
EQUITY					
Contributed Equity	19	19,854,615	17,254,615	19,854,615	17,254,615
Reserves	20	1,061,867	1,510,568	1,061,867	1,061,867
Accumulated Losses		(19,092,417)	(20,786,726)	(19,092,417)	(20,018,888)
TOTAL EQUITY		**1,824,065**	**(2,021,543)**	**1,824,065**	**(1,702,406)**

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2010

eNERGIO LIMITED

ECONOMIC ENTITY	Note	Contributed Equity	Accumulated Losses	Reserve	Total
Balance at *1 July 2008*		16,870,306	(13,617,907)	871,120	4,123,519
Total comprehensive income for the year as reported in the 2009 financial statements		-	(7,168,819)	639,448	(6,529,371)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		384,309	-	-	384,309
Balance at *30 June 2009*		**17,254,615**	**(20,786,726)**	**1,510,568**	**(2,021,543)**
Balance at 1 July 2009		**17,254,615**	**(20,786,726)**	**1,510,568**	**(2,021,543)**
Total comprehensive income for the year as reported in the 2010 financial statements		-	1,694,309	(448,701)	1,245,608
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		2,600,000	-	-	2,600,000
Balance at *30 June 2010*		**19,854,615**	**(19,092,417)**	**1,061,867**	**1,824,065**

PARENT ENTITY	Note	Contributed Equity	Accumulated Losses	Reserve	Total
Balance at 1 July 2009		16,870,306	(12,603,679)	1,061,867	5,328,494
Total comprehensive income for the year as reported in the 2009 financial statements		-	(7,415,209)	-	(7,415,209)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		384,309	-	-	384,309
Balance at *30 June 2009*		**17,254,615**	**(20,018,888)**	**1,061,867**	**(1,702,406)**
Balance at 1 July 2009		**17,254,615**	**(20,018,888)**	**1,061,867**	**(1,702,406)**
Total comprehensive income for the year as reported in the 2010 financial statements		-	926,471	-	926,471
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		2,600,000	-	-	-
Balance at *30 June 2010*		**19,854,615**	**(19,092,417)**	**1,061,867**	**1,824,065**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2010

	Note	Economic Entity		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		-	4,222,563	-	-
Payments to suppliers and employees		(99,854)	(3,578,082)	(99,854)	(260,014)
Payment to Administrator		(350,000)	-	(350,000)	-
Interest paid		-	(117,801)	-	-
Interest received		8,834	502	8,834	370
Net cash inflow (outflow) from operating activities	**22**	**(441,020)**	**527,182**	**(441,020)**	**(259,644)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		-	(88,547)	-	-
Sale of plant & equipment		-	38,464	-	35,003
Purchase of other non-current assets		-	(909,538)	-	-
Sale of subsidiary		-	175,069	-	175,069
Cash relinquished on sale of Enertec Enterprises		-	(302,657)	-	-
Cash relinquished on sale of Subsidiaries	5(c)	(34,573)		-	
Loans to/(from) related companies		-	-	-	(100,116)
Net cash outflow investing activities		**(34,573)**	**(1,087,209)**	**-**	**109,956**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares net of cost		2,350,000	287,440	2,350,000	287,440
Proceeds from shares to be issued		95,000	-	95,000	-
Proceeds from debt factoring		-	656,275	-	-
Repayment of debt factoring		-	(183,985)	-	-
Repayment of convertible notes		-	(220,512)	-	(220,512)
Net cash inflow (outflow)/inflow financing activities		**2,445,000**	**539,218**	**2,445,000**	**66,928**
Net increase in cash and cash equivalents held		1,969,407	(20,809)	2,003,980	(82,760)
Cash and cash equivalents at beginning of financial year		50,974	54,867	11,148	93,910
Exchange gain/(loss) on balance		(5,253)	16,916	-	-
Cash and cash equivalents at end of financial year	**9**	**2,015,128**	**50,974**	**2,015,128**	**11,148**

The above statements of cash flows should be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the economic entity of Energio Ltd and controlled entities and Energio Limited as an individual parent entity. Energio Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Energio Limited and controlled entities, and Energio Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

Compliance with AIFRS ensures that the consolidated financial statements and notes of Energio Limited comply with International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

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

Disclaimer regarding records

The financial report includes the report from the auditor which has been disclaimed on the basis of a limitation of scope due to the inability to access sufficient records to audit this report. The economic crisis resulted in Energio Limited (formerly Brainytoys Limited) divesting itself of its subsidiary in Hong Kong and being unable to fund its operations in both the United Kingdom and the United States. Following the recapitalisation of Energio Limited (formerly Brainytoys Limited), the directors is undertaking a full review of its assets and the sector, and has engaged an expert consultant to assist in this regard.

(a) Principles of Consolidation

A controlled entity is any entity controlled by Energio Limited. Control exists where Energio Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Energio Limited to achieve the objectives of Energio Limited. A list of controlled entities is contained in Note 15 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of Energio Limited.

(b) Income Tax

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

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

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

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

deductibility imposed by the law.

(c) Property, Plant, and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

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

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%
Computers	33%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Employee Benefits

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

(e) Cash and cash equivalents

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

(f) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The sale of products is recognized when the risk of ownership has passed to the buyer, that is, at the time of sale of

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

the goods.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

(g) Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses, and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the relevant tax authority. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST or VAT.

(h) Leases

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

(i) Research and Development Expenses

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

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(j) Financial Instruments

Recognition

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

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Loans and receivables are included in trade and other receivables (Note 10) receivables (Note 16) and cash and cash equivalent (Note 9).

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to other comprehensive income.

Financial liabilities

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges.

Fair value

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

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit and loss.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials only. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Trade payables

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

(m) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(n) Earnings Per Share

i. Basic earnings per share

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

ii. Diluted earnings per share

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial 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.

(o) Intangible Assets

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a definite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

amortised over their useful life ranging from 15 to 20 years.

Intangible assets, including goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. The license portion is amortised on a straight line basis over the period of 20 years.

The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off as impairment losses in the Statement of comprehensive income.

(p) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

(q) Provisions

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

(r) Borrowing Costs

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

All other borrowing costs are recognised in income in the period in which they are incurred.

(s) Share based payments

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions and included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefits expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

(t) Comparative Figures

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

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

recognised and included in shareholders' equity, net of income tax effects.

(v) Critical Accounting Estimates and Judgments

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

Key Estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(w) Foreign Currency Translation

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 profit and loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(x) Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Change in accounting policy
A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the group's net profit after tax.

(y) Discontinued operations

A discontinued operation is component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The result of discontinued operations are presented separately on the face of the statement of comprehensive income.

(z) Contributed equity

Ordinary shares are classified as equity. 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 for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(AA) New Accounting Standards and Interpretations

Certain new accounting standards have been published that are not mandatory for 30 June 2010 reporting periods. The Group has not applied any of the following in preparing this financial report:

Affected Standard	Title of Affected Standard	Nature of Change	Application Date *	Impact on Initial Application
AASB 2009-5 (issued May 2009)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	Not urgent, but necessary changes to AIFRS as a result of the IASB's 2008 annual improvement process.	1 January 2010	
– AASB 107	Statement of Cash flows	Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.	1 January 2010	Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.
– AASB 5	Non-Current Assets Held for Sale and Discontinued Operations	Clarifies that disclosures required for non-current assets classified as held for sale are limited to those required by AASB 5 unless disclosures are specifically required for these assets by other AASB's.	1 January 2010	There will be no impact as these requirements are only required to be applied prospectively to disclosures for non-current assets classified as held for sale.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

AASB 2009-8 (issued July 2009)	Amendments to Australian Accounting Standards-Group Cash-Settled Share based Payment transactions	Clarifies the scope and accounting for group cash-settled share-based payment transactions in the individual financial statements of an entity receiving goods/services when that entity has no obligation to settle the share-based payment transaction. Supersedes Interpretation 8 *Scope of AASB 2* and Interpretation 11 AASB 2 *Group and Treasury Share Transactions*	1 January 2010	No impact as there are no share-based payment transactions where the entity receives goods or services with no corresponding obligation to settle the share-based payment transaction.
AASB 2009-10	Amendments to Australian Accounting Standards-Classification of Rights Issues [AASB 132]	Clarifies that such transaction where an issue of rights or options to a fixed number of shares for a fixed amount in a different currency to the functional currency must be treated as equity.	1 February 2010	There will be no impact as the entity does not issue rights or options to a fixed numbers of shares for a fixed amount in a different currency to the functional currency.
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.
AASB 124 (issued December 2009)	Related Party Disclosures	Clarifies the definition of a related party	1 January 2011	As this a disclosure standard only, there will be no impact on amounts recognised in the financial statements.
AASB Interpretation 19 (issued December 2009)	Extinguishing Financial Liabilities with Equity Instruments	Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss.	1 July 2010	There will be no impact as the entity has not undertaken any debt for equity swaps.
IFRS 7	Financial Instruments Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held	1 January 2011	There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures.

2. REVENUE

	Economic Entity 2010 $	Economic Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Operating activities				
Sales	-	3,673,137	-	-
Other income				
Gain on administration	1,606,708	-	1,606,708	-
Interest received (Note 2(a))	16,511	-	16,511	-
	1,623,219	-	1,623,219	-
Total Revenue	1,623,219	3,673,137	1,623,219	-
(a) Interest revenue from:				
Other parties	16,511	-	16,511	-
Total Interest Revenue	16,511	-	16,511	-

3. EXPENSES FOR THE YEAR

	Economic Entity 2010 $	Economic Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Loss before income tax includes the following specific expenses:				
Finance Costs				
external	135,890	344,737	135,890	260,230
Total finance costs expensed	135,890	344,737	135,890	260,230
Impairment of non-current assets to recoverable amount				
Licenses	-	4,467,219	-	-
Goodwill – Brainytoys,Inc	-	367,543	-	-
Total Impairment	-	4,834,762	-	-
Depreciation and amortisation of non-current assets:				
— plant and equipment	-	26,354	-	12,789
— Amortisation of patents	-	8,699	-	8,699
Total depreciation and amortisation	-	35,053	-	21,488
Rental expense on operating leases	-	249,214	-	14,804
Foreign exchange (gains)/losses	-	(15,667)	-	(15,667)
Loss/(gain) on sale of fixed assets	-	59,503	-	14,999

4. INCOME TAX EXPENSE

	Economic Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Income tax expense				
Current tax	-	58,662	-	-
Deferred tax	-	-	-	-
	-	-	-	-
(a) Numerical reconciliation of income tax benefit to prima facie tax payable				
Profit /(Loss) from continuing operations before income tax expense	926,471	(6,464,647)	926,471	(7,415,209)
Tax at the Australian tax rate of 30% (2009: 30%)	277,941	(1,939,394)	277,941	(2,224,562)
Tax effect of amounts that are not deductible /(taxable) in calculating taxable income:				
Impairment of intangibles	-	1,651,329	-	-
Write back on consideration payable	-	(311,164)	-	-
Impairment of goodwill	-	110,263	-	-
Impairment of Intercompany loan and investments	-	-	-	1,593,981
Gain on administration	(482,012)	-	(482,012)	-
Non deductible interest expense	40,767	-	40,767	-
Difference in overseas tax	-	58,622	-	-
Income tax benefit not recognised	163,304	488,966	163,304	630,581
Income tax expense /(benefit)	-	58,622	-	-
(b) Tax losses				
Unused tax losses for which no deferred tax assets has been recognised	3,293,844	3,130,540	3,348,775	3,185,471
Potential tax benefit at 30%	988,153	939.162	1,004,633	955,641
(c) Unrecognised temporary differences				
Deferred tax assets and liabilities not recognised relate to the following:				
Deferred tax assets				
Tax losses	3,293,844	3,130,540	3,348,775	3,185,471
Other temporary differences	85,940	85,940	111,746	111,746
Losses unavailable	(3,379,784)	(3,216,480)	(3,460,521)	(3,297,217)
Deferred tax liabilities				
Other temporary differences	-	-	-	-
Net deferred tax assets	-	-	-	-

4. INCOME TAX EXPENSE (CONTINUED)

The taxation benefits of tax losses not brought to account will only be obtained if:

(a) assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
(b) conditions for deductibility imposed by the law are complied with; and
(c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The Company has deemed that it will not be able to use the income tax losses due to the change in beneficial ownership of the Company and the failure of the same business test.

5. DISCONTINUED OPERATION

(a) Description.

On 29 June 2010 Energio Limited entered into an agreement for the disposal of the whole of the share capital of Brainytoys Inc and Brainytoys UK Limited and the assignment of all loans and other amounts due by the BRT entities to Energio Limited. Under the terms of the agreement the purchaser has acquired for a consideration of $1, the whole of the share capital of the BRT entities and the BRT loans prior to 30th June 2010. While the agreement had been entered into prior to year end, the paperwork necessary to effect the transfer of the share capital and assign the loans had not yet been finalised at the date of this report, the Company considers that it no longer controls the subsidiaries.

The Company disposed of its Hong Kong subsidiary effectively at 31st December 2008. Results of trading for the 6 month period to 31st December 2008 are as below.

Further information is set out in Note 21 segment information.

(b) Financial performance and cashflow information for the year ended 30 June 2010

	2010 $	2009 $
Revenue	**-**	**5,745,098**
Other expenses*	-	(6,297,536)
Loss before income tax	-	(552,438)
Income tax expense	-	-
Loss after income tax of discontinued operation	-	(552,438)
Profit on sale of subsidiary before income tax	767,836	(210,396)
Income tax expense	-	-
Profit on sale of subsidiary after income tax	767,836	(210,396)
Profit on sale of discontinued operation	**767,836**	**(762,834)**
*Included in other expenses is goodwill written off during the period amounting to $1,337,551		
Net cash inflow from ordinary activities	-	660,576
Net cash inflow/(outflow) from investing activities	-	(379,418)
Net cash inflow/(outflow) from financing activities	-	-
Net increase in cash generated by the subsidiary	**-**	**281,158**

5. DISCONTINUED OPERATION (CONTINUED)

(c) Carrying amount of assets and liabilities

The carrying amounts of assets and liabilities as at 30 June 2010 were:

	2010 $	2009 $
Cash and cash equivalents	34,573	302,656
Trade and other receivables	1,105,364	430,561
Owed by related companies	361,128	279,753
Inventory & Work In Progress	112,838	41,197
Property, plant & equipment (written down value)	39,412	244,575
TOTAL ASSETS	**1,653,315**	**1,298,742**
Owed to related companies	5,249,097	-
Borrowings	646,660	-
Trade and other payables	906,090	714,029
TOTAL LIABILITIES	**6,801,847**	**714,029**
NET ASSETS	**(5,148,532)**	**584,713**

(d) Details of sale of subsidiary

	2010 $	2009 $
Consideration receivable		
Cash	-	175,069
Intercompany loan forgiven	(4,887,969)	308,353
Total disposal consideration	**(4,887,969)**	**483,422**
Carrying amount of net assets sold	5,148,532	(584,713)
Foreign exchange reserve recycled to profit and loss	507,275	(109,105)
Profit /(Loss) on sale before income tax	**767,838**	**(210,396)**
Income tax expense	-	-
Profit /(Loss) on sale after income tax	**767,838**	**(210,396)**

6. KEY MANAGEMENT PERSONNEL DISCLOSURES

	Economic Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
(a) Key management personnel compensation				
Short-term employee benefits	28,500	641,340	28,500	188,812
Post employment benefits	-	-	-	-
Share based payments	-	-	-	-
Total key management personnel compensation	28,500	641,340	28,500	188,812

The key management personnel are disclosed in the Directors' Report.

6. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(b) Equity instrument disclosures relating to key management personnel

(i) *Options provided as remuneration and shares issued on exercise of such options*
Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 7 -10.
In addition, the key management personnel did receive options as part of the purchase of shares during capital raising of the Company.

(ii) *Option holdings*
The number of options over ordinary shares in the Company held during the financial year by each director of Energio Limited, including their personally related parties, are set out below:

2010	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Energio Limited						
Nathan Taylor	-	-	-	-	-	-
Faldi Ismail	-	-	-	10,000,000	10,000,000	10,000,000
Athan Lekkas	-	-	-	-	-	-
Colin Oxlade	-	-	-	-	-	-
John Walker	-	-	-	-	-	-
Richard Simpson	-	-	-	-	-	-
George Karafotias	-	-	-	-	-	-
Colin Manie	-	-	-	-	-	-
Total	-	-	-	10,000,000	10,000,000	10,000,000

2009	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Energio Limited						
Charles MacKinnon	5,392,223	-	-	-	5,392,223	5,392,223
Alex Aguero	12,621,450	-	-	-	12,621,450	12,621,450
Graham Nicol	884,995	-	-	-	884,995	884,995
Larry Bernstein	1,197,067	-	-	-	1,197,067	1,197,067
Jean Pierre de la Valdene	11,428,800	-	-	-	11,428,800	11,428,800
Robert Finn	465,120	-	-	-	465,120	465,120
Keith Bales	-	-	-	-	-	-
John Walker	-	-	-	-	-	-
Colin Oxlade	-	-	-	-	-	-
Richard Simpson	-	-	-	-	-	-
Other Key management personnel of the Group						
Jones Lee	5,438,444	-	-	-	5,438,444	5,438,444
Jeff Berndt	405,678	-	-	-	405,678	405,678
Total	37,833,777				37,833,777	37,833,777

No options are vested and un-exercisable at the end of the year, and no options are unvested .On 1 December 2009 the Company entered into Administration. At that time all Directors of the Company resigned. New Directors were appointed as part of the DOCA process.

6. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(iii) Shareholdings

The numbers of shares in the Company held during the financial year by each Director of Energio Limited and other key management personnel of the Group, including their personally related parties are set out below.

There were no shares granted during the reporting period as compensation.

2010	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Energio Limited				
Ordinary Shares				
Nathan Taylor	-	-	10,000,000	10,000,000
Faldi Ismail	-	-	35,000,000	35,000,000
Athan Lekkas	-	-	28,000,000	28,000,000
Colin Oxlade	-	-	-	-
John Walker	-	-	-	-
Richard Simpson	-	-	-	-
George Karafotias	-	-	-	-
Colin Manie	-	-	-	-
Total	-	-	73,000,000	73,000,000

2009	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Energio Limited				
Ordinary Shares				
Charles MacKinnon	5,007,451	-	-	5,007,451
Alex Aguero	5,675,806	-	-	5,675,806
Graham Nicol	620,825	-	-	620,825
Larry Bernstein	328,445	-	-	328,445
Robert Finn	775,200	-	-	775,200
Jean Pierre de la Valdene	19,048,000	-	-	19,048,000
Keith Bales	-	-	-	-
John Walker	-	-	-	-
Colin Oxlade	-	-	-	-
Richard Simpson	-	-	-	-
Other key management personnel of the Group				
Jones Lee	9,064,072	-	-	9,064,072
Jeff Berndt	676,129	-	-	676,129
Total	41,195,928	-	-	41,195,928

6. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Loans to key management personnel

Details of loans made to directors of Energio Limited and other key management personnel of the Group, including their personally related parties are set out below.

(i) Aggregates for key management personnel

Economic Entity	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Number in the Group at the end of the year.
2010	-	-	-	-	-
2009	-	-	-	-	-

(d) Other transactions with key management personnel

An agreement is in place between the Company and FJH Solutions Pty Limited, a company in which Mr Henbury is a Director, whereby FJH Solutions provides company secretarial, administration, and accounting services to the Company. The engagement is not for a fixed period, and may be terminated by the Company or by Mr Henbury at any time. The terms and conditions to which this contract is entered is a normal arms length transaction.

The above transaction is on commercial arms-length basis.

Aggregate amounts of each of the above types of other transactions with key management personnel of Energio Limited:

	2010 $	2009 $
Amounts recognised as expenses:		
Accounting and Company secretarial fees	17,543	-
	17,543	-

Aggregate amounts payable to key management personnel of the Group at balance date relating to the above types of other transactions.

	2010 $	2009 $
Trade creditors	9,585	-

7. AUDITORS' REMUNERATION

	Economic Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Remuneration of the auditor of the parent entity for:				
Auditing or reviewing the financial reports				
BDO Audit (WA) Pty Ltd	34,996	82,739	34,996	82,739
Other	-	-	-	-
Other non-BDO services				
- audit	-	141,810	-	5,863
- tax services	-	5,000	-	-
	34,996	229,549	34,996	88,602

8. EARNINGS PER SHARE

	Economic Entity 2010 $	Economic Entity 2009 $
(a) Reconciliation of earnings to net profit or loss		
Net profit /(loss)	1,694,308	(7,168,819)
Earnings used in the calculation of basic EPS		
Continuing Operations	926,470	(6,405,985)
Discontinuing Operations	767,838	(762,834)
	1,694,308	(7,168,819)

	Number	Number
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS (1)	187,536,682	115,563,285

(1) The options over unissued ordinary shares are deemed to be *potential* ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, *potential* ordinary shares are included in the calculation of diluted earnings per share.

	Economic Entity 2010 Number	Economic Entity 2009 Number
Weighted average number of ordinary shares and potential ordinary shares	100,000,000	-
The following *potential* ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and *potential* ordinary shares used in the calculation of diluted earnings per share:		
Options over unissued shares	16,487,599	-

9. CASH AND CASH EQUIVALENTS

	Economic Entity 2010 $	Economic Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Cash at bank	2,015,128	50,974	2,015,128	11,148
	2,015,128	50,974	2,015,128	11,148
Reconciliation of Cash				
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:				
Cash and cash equivalents	2,015,128	50,974	2,015,128	11,148
Bank overdrafts	-	-	-	-
	2,015,128	50,974	2,015,128	11,148

10. TRADE AND OTHER RECEIVABLES

	Economic Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
CURRENT				
GST/VAT Receivable	17,305	-	17,305	-
Trade Debtors (Note 10(a))	-	1,155,457	-	-
Deposits and Prepayments	7,677	30,537	7,677	-
	24,982	1,185,994	24,982	-

(a) *There is no provision for doubtful debts as at 30th June 2009 or 30 June 2010*

(b) Past due but not impaired

All debtors as at 30 June 2009 were within terms and not impaired. This indicates that the quality is good. There are no receivables at 30 June 2010.

(c) On 29 June 2010 Energio Limited entered into an agreement for the disposal of the whole of the share capital of Brainytoys Inc and Brainytoys UK Limited and the assignment of all loans and other amount due by the BRT entities to Energio Limited. Under the terms of the agreement the purchaser has acquired for a consideration of $1, the whole of the share capital of the BRT entities and the BRT loans prior to 30th June 2010. Refer to Note 5.

11. INVENTORIES

	Economic Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Product (Note 11(a))	-	130,656	-	-

(a) Write down of inventories to net realisable value recognised as an expense during the year 30 June 2009 amounted to $200,843 was included in other expense' in the statement of comprehensive income in that year.

(b) On 29 June 2010 Energio Limited entered into an agreement for the disposal of the whole of the share capital of Brainytoys Inc and Brainytoys UK Limited and the assignment of all loans and other amount due by the BRT entities to Energio Limited. Under the terms of the agreement the purchaser has acquired for a consideration of $1, the whole of the share capital of the BRT entities and the BRT loans prior to 30th June 2010. Refer to Note 5.

12. PROPERTY, PLANT AND EQUIPMENT

	Economic Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
PLANT AND EQUIPMENT				
NON-CURRENT				
Plant and equipment				
At cost	-	620,048	-	210,811
Accumulated depreciation	-	(577,139)	-	(210,811)
Total Property, Plant and Equipment	**-**	**42,909**	**-**	**-**

(a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2010		2009	
	Plant and Equipment	Total	Plant and Equipment	Total
Economic Entity:				
Balance at the beginning of year	42,909	-	376,235	376,235
Additions	-	-	-	-
Disposals	-	-	(53,698)	(53,698)
Acquisitions through acquisition of entity	-	-	-	-
Disposals through sale/liquidation of subsidiary entities (Note 12(a))	(42,909)	-	(244,575)	(244,575)
Depreciation expense	-	-	(35,053)	(35,053)
Carrying amount at the end of year	-	-	42,909	42,909
Parent Entity:				
Balance at the beginning of year	-	-	62,789	62,789
Additions	-	-		-
Disposals	-	-	(41,301)	(41,301)
Depreciation expense	-	-	(21,488)	(21,488)
Carrying amount at the end of year	-	-	-	-

(a) On 29 June 2010 Energio Limited entered into an agreement for the disposal of the whole of the share capital of Brainytoys Inc and Brainytoys UK Limited and the assignment of all loans and other amount due by the BRT entities to Energio Limited. Under the terms of the agreement the purchaser has acquired for a consideration of $1, the whole of the share capital of the BRT entities and the BRT loans prior to 30th June 2010. Refer to Note 5.

13. PATENTS AND TRADEMARKS

	Economic Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
NON-CURRENT				
Patents and Trademarks in relation to toys at cost	-	-	-	-

14. INTANGIBLE ASSETS

	Economic Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
NON-CURRENT				
Intellectual Property at cost	-	2,273,861	-	-
Licenses	-	5,608,273	-	-
Goodwill	-	1,705,094	-	-
Accumulated Amortisation and impairment	-	(9,587,228)	-	-
Net carrying value	-	-	-	-

14. INTANGIBLE ASSETS (CONTINUED)

	Economic Entity	
	2010 $	2009 $
Balance at beginning of year	-	6,055,482
Additions	-	-
Disposals (Note 14(b))	(9,587,228)	-
Amortisation charge	-	-
Foreign exchange differences	-	(183,508)
Impairment losses (Note 14(a))	9,587,228	(5,871,974)
	-	-

(a) Attempts to raise sufficient funding through inventory and other forms of financing resulted in an inability to complete the purchases of the Marshmallow Fun Company and Reveal Entertainment businesses in the USA. Subsequently, in November and December 2008 Energio Limited relinquished the assets and business' to their respective vendors in default.

This continuing funds deficit also contributed to (a) **(**along with the effects of the severely depressed UK economy), a downturn in the UK subsidiary, Toyway's, sales and eventual winding up in June 2009 and (b) an inability to service the interest payments to the Convertible Note holder, Noble Investments Pty Ltd, forcing the stressed sale of the Hong Kong subsidiary, Enertec Enterprises as at 31 December 2008 to return funds to the Note holder. As a result of the above, significant amounts of intangibles were written off during the year ended 30 June 2009.

(b) On 29 June 2010 Energio Limited entered into an agreement for the disposal of the whole of the share capital of Brainytoys Inc and Brainytoys UK Limited and the assignment of all loans and other amount due by the BRT entities to Energio Limited. Under the terms of the agreement the purchaser has acquired for a consideration of $1, the whole of the share capital of the BRT entities and the BRT loans prior to 30th June 2010. Refer to Note 5.

15. OTHER FINANCIAL ASSETS

	Economic Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
NON-CURRENT				
Shares in controlled entities at cost (15(a))	-	-	-	4,515,979
Less disposal of Enertec Enterprises	-	-	-	(1,475,542)
Less disposal of BRT Inc and Brainytoys UK (Note 15(b))	-	-	-	-
Accumulated impairment losses	-	-	-	(3,040,437)
Net carrying value	**-**	**-**	**-**	**-**

(a) These financial assets are carried at cost.

(b) On 29 June 2010 Energio Limited entered into an agreement for the disposal of the whole of the share capital of Brainytoys Inc and Brainytoys UK Limited and the assignment of all loans and other amount due by the BRT entities to Energio Limited. Under the terms of the agreement the purchaser has acquired for a consideration of $1, the whole of the share capital of the BRT entities and the BRT loans prior to 30th June 2010. Refer to Note 5.

			Percentage Owned %	
Controlled Entities	Country of Incorporation	Class of Shares	2010	2009
Brainytoys.com Pty Ltd	Australia	Ordinary	-	100
Brainy UK Limited	UK	Ordinary	-	100
Brainytoys, Inc	USA	Ordinary	-	100

16. RECEIVABLES

	Economic 2010 $	Economic 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
NON-CURRENT				
Brainy UK Limited	-	-	-	688,466
Toyway Limited	-	-	-	20,851
Brainytoys, Inc	-	-	-	3,751,338
Brainytoys.com Pty Ltd	-	-	-	25,000
Accumulated impairment losses	-	-	-	(4,485,655)
Net carrying value	-	-	-	-

(a) On 29 June 2010 Energio Limited entered into an agreement for the disposal of the whole of the share capital of Brainytoys Inc and Brainytoys UK Limited and the assignment of all loans and other amount due by the BRT entities to Energio Limited. Under the terms of the agreement the purchaser has acquired for a consideration of $1, the whole of the share capital of the BRT entities and the BRT loans prior to 30th June 2010. Refer to Note 5.

17. TRADE AND OTHER PAYABLES

	Economic Entity 2010 $	Economic Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
CURRENT – unsecured liabilities				
Trade & other payables	216,045	1,212,656	216,045	363,286
Employee Liabilities	-	259,394	-	82,589
Accrued Expenses	-	112,500	-	110,230
	216,045	1,584,550	216,045	556,105

(a) At 30 June 2010, the Company had received $95,000 in applications for which shares had not been issued. Shares in relation to this were issued on 19 July 2010.

(b) On 29 June 2010 Energio Limited entered into an agreement for the disposal of the whole of the share capital of Brainytoys Inc and Brainytoys UK Limited and the assignment of all loans and other amount due by the BRT entities to Energio Limited. Under the terms of the agreement the purchaser has acquired for a consideration of $1, the whole of the share capital of the BRT entities and the BRT loans prior to 30th June 2010. Refer to Note 5.

18. BORROWINGS

	Economic Entity 2010 $	Economic Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
CURRENT				
Secured liability – Receivables factoring (Note 18 (a))	-	690,077	-	-
Secured liability - Convertible Notes (Note 18 (b))	-	1,157,449	-	1,157,449
Total Current Borrowings	-	1,847,526	-	1,157,449
NON-CURRENT				
Secured liability - Convertible Notes**	-	-	-	-

(a) Receivables secured total $0 (2009 $1,155,457).

(b) Security was by way of a floating charge over all assets excluding receivables factoring, purchase order financing; and enables a bank to have first priority to the extent of A$500,000. The Company was in default on interest payments and the Note-holder appointed an Administrator to Energio Limited on 1st December 2009.

On 15 January 2010, the Company obtained the approval of its creditors to enter into a Deed of Company Arrangement (DOCA). The secured convertible notes were settled via an issue of 50,000,000 Shares and 30,000,000 Options exercisable at 1 cent each and expiring on 30 November 2013. A further $150,000 was made available to the secured creditor.

50

18. BORROWINGS (CONTINUED)

	Economic Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Opening face value of notes issued	1,179,488	1,400,000	1,179,488	1,400,000
Less repayments of principal	(1,179,488)	220,512	(1,179,488)	220,512
Face value of notes issued	-	1,179,488	-	1,179,488
Other equity securities – value of conversion rights (Note 19(e))	-	(244,247)	-	(244,247)
	-	935,241	-	935,241
Interest expense (18 (c))	135,890	395,975	135,890	395,975
Interest paid	(135,890)	(76,159)	(135,890)	(76,159)
	-	1,255,057	-	1,255,057
Initial transaction cost	-	(97,608)	-	(97,608)
Closing Balance Sheet	-	1,157,449	-	1,157,449

(c) Interest expense is calculated by applying an average effective interest rate of 16.23% to the liability component

19. CONTRIBUTED EQUITY

	Economic Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
(a) Share Capital: Ordinary shares, fully paid	19,630,759	17,030,759	19,630,759	17,030,759

The Company has authorised share capital amounting to 623,262,709 ordinary shares at no par value.

(b) Other equity securities:				
Value of conversion rights – convertible notes (Note 19 (e))	223,856	223,856	223,856	223,856
Total Contributed Equity	19,854,615	17,254,615	19,380,759	17,254,615
(c (i)) Ordinary shares				
At the beginning of the reporting period	17,030,759	16,646,450	17,030,759	16,646,450
Shares issued during the year	2,720,000	455,357	2,720,000	455,357
Transaction costs relating to share issues	(120,000)	(71,048)	(120,000)	(71,048)
At the end of the reporting date	19,630,759	17,030,759	19,630,759	17,030,759

19. CONTRIBUTED EQUITY (CONTINUED)

(c (ii)) Movements in Ordinary Share Capital

Date	Details	No of shares	Issue price	Value
01-07-08	Opening balance	109,182,945		17,372,115
08-07-08	Issue	6,505,096	$0.07	455,357
30-6-09	**Balance**	115,688,041		17,827,472
01-7-09	Opening Balance	115,688,096		17,827,472
06-4-10	Consolidation of shares	(92,425,332)	-	-
22-4-10	Issue	400,000,000	0.005	2,000,000
22-4-10	Issue	80,000,000	0.005	400,000
22-4-10	Issue	70,000,000	0.001	70,000
22-4-10	Issue	50,000,000	0.005	250,000
30-6-10	**Balance**	623,262,709		20,547,472
	Less transaction costs			916,713
	At reporting date	623,262,709		19,630,759

(c(iii)) Number of ordinary shares (summary)	Economic Entity		Parent Entity	
	2010 (No)	**2009** (No)	**2010** (No)	**2009** (No)
At the beginning of the reporting period	115,688,041	109,182,945	115,688,096	109,182,945
Shares consolidated during the year	(92,425,332)	-	(92,425,332)	-
Shares issued during the year	600,000,000	6,505,096	600,000,000	6,505,096
At reporting date	623,262,709	115,688,041	623,262,709	115,688,041

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands.

(d) Options	Economic Entity		Parent Entity	
	2010 (No)	**2009** (No)	**2010** (No)	**2009** (No)
At the beginning of the reporting period	94,551,920	94,551,920	-	-
Options consolidated during the year	(66,150,109)	-	-	-
Options lapsed during the year	(12,114,212)	-	-	-
Options issued during the year:				
During April 2010	100,000,000	-	-	-
At reporting date	116,287,599	94,551,920	-	-

i For information relating to share options issued to key management personnel during the financial year, refer to the Directors' Report.

19. CONTRIBUTED EQUITY (CONTINUED)

(e) Value of conversion rights – Convertible Notes

	Economic Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Value of conversion rights (Note 18)	244,248	244,248	244,248	244,248
Initial transaction cost	(20,392)	(20,392)	(20,392)	(20,392)
	223,856	223,856	223,856	223,856

(a) On 15 January 2010, the Company obtained the approval of its creditors to enter into a Deed of Company Arrangement (DOCA). The secured convertible notes were settled via an issue of 50,000,000 Shares and 30,000,000 Options exercisable at 1 cent each and expiring on 30 November 2013. A further $150,000 was made available to the secured creditor.

20. RESERVES

	Note	Economic Entity		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
Share based payments reserve	(a)	313,240	313,240	313,240	313,240
Options Issue reserve		748,627	748,627	748,627	748,627
Foreign currency translation reserve	(b)	-	448,701	-	-
		1,061,867	1,510,568	1,061,867	1,061,867
Movement:					
Share based payments reserve					
Balance at the beginning of the year		313,240	313,240	313,240	313,240
New options granted		-	-	-	-
Balance at the end of the year		313,240	313,240	313,240	313,240
Options Issue reserve					
Balance at the beginning of the year		748,627	748,627	748,627	748,627
New options granted		-	-	-	-
Balance at the end of the year		748,627	748,627	748,627	748,627
Foreign currency translation reserve					
Balance at the beginning of the year		448,701	(190,747)	-	-
Currency translation differences arising during the year		58,574	530,343	-	-
Foreign exchange recycled to profit and loss on disposal of subsidiary (Note: 5)		(507,275)	109,105	-	-
Balance at the end of the year		-	448,701	-	-
Total Reserves		1,061,867	1,510,568	1,061,867	1,061,867

(a) The share-based payments reserve is used to recognise:
- the fair value of options issued to employees
- the fair value of shares issued to employees

(b) Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve. The reserve has been recognised in profit and loss when the net investment was disposed of.

21. SEGMENT REPORTING

The group has adopted AASB 8 *Operating Segments* from 1 July 2009 whereby segment information is presented using a "management approach", ie segment information is provided on the same basis as information used for internal reporting purposes.

This has resulted in the segment being disaggregated in 3 reportable segments based on geography, being USA, UK, and Australia. The Companies' principal activities are toy and game sales.

2010	USA	United Kingdom	Australia	Total continuing operations	Dis-continued operations	Consolidated
Segment revenue						
Sales to external customers	-	-	-	-	-	-
Intersegment sales						N/A
Total sales revenue	-	-	-	-	-	-
Other revenue/income	-	-	1,623,219	1,623,219	-	1,623,219
Total segment revenue/income	-	-	1,623,219	1,623,219	-	1,623,219
Segment result	-	-	926,471	926,471	-	926,471
Unallocated expense	-	-	-	-	-	-
Profit/(loss) before income tax				926,471	-	926,471
Income tax benefit						-
Net profit/(loss) for the year						926,471
Segment Assets and Liabilities						
Segment assets	-	-	2,040,110	2,040,110	-	2,040,110
Unallocated assets	-	-	-	-	-	-
Intersegment eliminations				-	-	-
Total assets	-	-	2,040,110	2,040,110	-	2,040,110
Segment liabilities	-	-	216,045	216,045	-	216,045
Unallocated liabilities				-	-	-
Total liabilities	-	-	216,045	216,045	-	216,045
Other Segment Information						
Acquisitions of property, plant & equipment, intangibles & other non-current segment assets	-	-	-	-	-	-
Impairment of goodwill intangibles	-	-	-	-	-	-
Depreciation & amortisation	-	-	-	-	-	-
Unallocated				-	-	-
Total Depreciation & amortisation				-	-	-

21. SEGMENT REPORTING (CONTINUED)

2009	USA	United Kingdom	Australia	Total continuing operations	Dis-continued operations	Consolidated
Segment revenue						
Sales to external customers	1,587,079	2,086,058	-	3,673,136	5,745,098	9,418,234
Intersegment sales						N/A
Total sales revenue	1,587,079	2,086,058	-	3,673,136	5,745,098	9,418,234
Other revenue/income						
Total segment revenue/income	1,587,079	2,086,058	-	3,673,136	5,745,098	9,418,234
Segment result	4,346,135	(1,008,614)	(1,109,818)	(6,464,567)	762,834	(7,227,401)
Unallocated expense				-	-	-
Profit/(loss) before income tax				(7,574,385)	(762,834)	(7,227,481)
Income tax benefit						58,662
Net profit/(loss) for the year						(7,168,819)
Segment Assets and Liabilities						
Segment assets	1,100,045	299,340	863,764	2,263,149	1,018,989	3,282,138
Unallocated assets				-	-	-
Intersegment eliminations				(852,616)	-	(852,616)
Total assets	1,100,045	299,340	863,764	1,410,533	1,018,989	2,429,522
Segment liabilities	963,213	753,039	1,715,824	3,432,076	714,029	4,146,105
Unallocated liabilities				-	-	-
Total liabilities	963,213	753,039	1,715,824	3,432,076	714,029	4,146,104
Other Segment Information						
Acquisitions of property, plant & equipment, intangibles & other non-current segment assets	-	-	-	-	88,547	88,547
Impairment of goodwill intangibles	4,834,762	-	-	4,834,762	1,337,551	6,172,313
Depreciation & amortisation	3,342	10,223	21,488	35,053	59,503	94,556
Unallocated				-	-	-
Total Depreciation & amortisation				35,053	59,503	94,556

22. CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Profit /(Loss) after Income Tax	Economic Entity 2010 $	Economic Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Profit /(Loss) after income tax	1,694,309	(7,168,819)	926,471	(7,415,209)
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit from ordinary activities				
Depreciation	-	93,171	-	21,488
Gain on administration	(1,043,340)	-	(1,043,340)	-
Foreign exchange (gain)/loss	(507,275)	469,937	-	-
Loss on sale of subsidiary	(452,802)	-	-	5,313,271
Impairment Loss	-	6,333,434	-	992,120
Loss on sale of plant & machinery	-	96,556	-	14,999
Interest unpaid on convertible notes	135,890	256,478	135,890	256,478
Movements in loans to subsidiaries		-		779,623
Profit /(loss) on discontinued operations	(767,838)	-	-	-
Cash from unissued shares in payables	(95,000)	-	(95,000)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in receivables	1,161,012	327,908	(24,982)	33,365
(Increase)/decrease in inventories	130,656	915,577	-	-
Increase/(decrease) in payables	(696,632)	(797,060)	(340,060)	(255,779)
Cash flow from operations	(441,020)	527,182	(441,020)	(259,644)

Non-Cash investing and financing activities

Other than (a) the transfer of assets and liabilities to the purchaser of Enertec Enterprises Limited, the Company had no non-cash investing and financing activities during the year. The UK subsidiary, Toyway Limited, is in Administration and its assets have been impaired to expected realisable values.

23. EVENTS SUBSEQUENT TO REPORTING DATE

On 22 July 2010 following effectuation of the deed of company arrangement and completion of a capital raising, the Company was reinstated to official quotation on ASX.

On 19 July 2010 the Company issued 57,000,000 shares at $0.005 to raise $285,000.

As at the date of this directors' report, other than the above mentioned matters, the directors are not aware of any matter or circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in the financial years subsequent to 30 June 2010.

24. RELATED PARTY TRANSACTIONS

(a) Key Management Personnel Disclosures

Disclosures relating to Key Management personnel are set out in notes.

(b) Loans to/from related parties

The parent company, Energio Limited has provided funding for capital acquisitions and working capital to its subsidiaries. Net movement for the period to 30th June 2010 is as follows:

	Parent Entity	
LOANS TO SUBSIDIARIES	2010 $	2009 $
Beginning of the year	-	4,755,833
Loan Advanced	-	557,438
Impairment	-	(5,313,271)
End of year	-	-

Loan to subsidiaries are interest free and have no set term of repayment.

25. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments, however the Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks, aging analysis for credit risk.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external advisors. The Board provides written principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the Company.

The Group and the Company hold the following financial instruments:

	ECONOMIC ENTITY		THE COMPANY	
	2010	2009	2010	2009
	$	$	$	$
Financial assets				
Cash and cash equivalents	2,015,128	50,974	2,015,128	11,148
Trade and other receivables	24,982	1,185,994	24,982	-
	2,040,110	1,236,968	2,040,110	11,148
Financial liabilities				
Trade and other payables	216,045	1,584,550	216,045	556,105
Borrowings	-	1,847,526	-	1,157,449
	216,045	3,432,076	216,045	1,713,554

The Group's principal financial instruments comprise cash and short-term deposits. The Group does not have any borrowings in the current financial year.

The main purpose of these financial instruments is to fund the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

a) Market risk

(i) *Foreign exchange risk*

The Group does not currently operate internationally and therefore its exposure to foreign exchange risk arising from currency exposures is limited.

(ii) *Cash flow and interest rate risk*

The Group's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the group to cash flow interest rate risk. The Group does not consider this to be material to the Group and have therefore not undertaken any further analysis of risk exposure.

The following sets out the Group's exposure to interest rate risk, including the effective weighted average interest rate by maturity periods:

30 June 2010 Economic Entity	Note	Weighted average interest rate	1 year or less $	2-5 years $	Total $
Financial assets					
Cash and cash equivalents	9	2.75%	2,015,128	-	-
Total			2,015,128	-	-

30 June 2009 Economic Entity	Note	Weighted average interest rate	1 year or less $	2-5 years $	Total $
Financial assets					
Cash and cash equivalents	9	2.75%	50,974	-	-
Total			50,974	-	-

b) Credit risk

The Group does not have any significant concentrations of credit risk. Credit risk is managed by the Board and arises from cash and cash equivalents as well as credit exposure including outstanding receivables and committed transactions.

All cash balances held at banks are held at internationally recognised institutions. The majority of receivables are immaterial to the Group. Given this the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates. This indicates that the quality is good. At 30 June 2009 the receivables were material. All debtors at 30 June 2009 were within terms and not impaired. There are no receivables at 30 June 2010.

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised at the start of Note 25.

Financial assets that are neither past due and not impaired are as follows:

	Economic Entity		The Company	
	2010 $	2009 $	2010 $	2009 $
Cash and cash equivalents				
'AA' S&P rating	2,015,128	50,974	2,015,128	11,148

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Group's exposure to the risk of changes in market interest rates relate primarily to cash assets and floating interest rates. The Group does not have significant interest-bearing assets and is not materially exposed to changes in market interest rates.

The directors monitor the cash-burn rate of the group on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

As at reporting date the Group had sufficient cash reserves to meet its requirements. The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. These were non interest bearing and were due within the normal 30-60 days terms of creditor payments. No borrowings existed at year end.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – At 30 June 2010	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	$	$	$	$	$	$	$
Non-derivatives							
Non-interest bearing	216,045	-	-	-	-	216,045	216,045
Variable rate	-	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	**216,045**	**-**	**-**	**-**	**-**	**216,045**	216,045

Group – At 30 June 2009	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	$	$	$	$	$	$	$
Non-derivatives							
Non-interest bearing	1,584,550	-	-	-	-	1,584,550	1,584,550
Variable rate	-	-	-	-	-	-	-
Fixed rate	1,847,526	-	-	-	-	1,847,526	1,847,526
Total non-derivatives	**3,432,076**	**-**	**-**	**-**	**-**	**3,432,076**	3,432,076

Company – At 30 June 2010	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	$	$	$	$	$	$	$
Non-derivatives							
Non-interest bearing	216,045	-	-	-	-	216,045	216,045
Variable rate	-	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	**216,045**	**-**	**-**	**-**	**-**	**216,045**	216,045

Company – At 30 June 2009	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	$	$	$	$	$	$	$
Non-derivatives							
Non-interest bearing	556,105	-	-	-	-	556,105	556,105
Variable rate	-	-	-	-	-	-	-
Fixed rate	1,157,449	-	-	-	-	1,157,449	1,157,449
Total non-derivatives	**1,713,554**	**-**	**-**	**-**	**-**	**1,713,554**	1,713,554

d) Fair value estimation

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

The fair value of financial instruments traded in active markets, such as trading and available for sale securities, is based on current quoted market prices at reporting date. The quoted market price used for financial assets held by the Group is the current market price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

The consolidated entity's principle financial instruments consist of cash and deposits with banks, accounts receivable and trade payables. The main purpose of these non-derivative financial instruments is to finance the entity's operations.

26. CORRECTION OF ERROR AND VARIATION FROM PRELIMINARY REPORT

Subsequent to the release of the Company's preliminary report to the Securities Exchange, the Company became aware of the incorrect accounting treatment of the disposal of its subsidiaries and the settlement of the convertible notes.

This has had the effect of increasing consolidated revenue by $1,043,339, increasing profit on discontinued operations by $767,838 and consolidated profit and loss by $1,649,429. Net assets have increased by $1,297,173.

27. DIVIDENDS

No dividends have been declared or paid during the period.

28. CONTINGENT LIABILITIES & EXPENSES

At reporting date, the company had no other contingent assets or liabilities.

29. CAPITAL COMMITMENTS

There are no capital commitments as at 30th June 2010 (2009: none)

30. LEASE COMMITMENTS

Brainytoys, Inc occupied two locations in Abilene, Texas (office/warehouse and overflow warehouse) and an office in Dallas, Texas on a monthly basis. These lease have now terminated

Toyway Limited occupied an office/warehouse building in Letchworth Garden City, Hertsfordshire, UK with rights to emergency offsite storage. The lease was effectively terminated when Toyway was placed into administration.

The Directors of the Company declare that except for the items documented in Note 1 disclaimer regarding records:

1 The financial statements, comprising the statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity accompanying notes are in accordance with the *Corporations Act 2001* and:

(a) Comply with Accounting Standards and the Corporations Regulations 2001; and

(b) Give a true and fair view of the financial position as at 30 June 2010, and of the performance for the year ended on that date of the Company and consolidated entity; and

2 In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

3 The Directors have been given the declaration by a person who performed the Chief Financial Officer function as required by section 295A of the *Corporations Act 2001*; and

4 The audited remuneration disclosure set out in the directors' report comply with Section 300A of the Corporations Regulations 2001.

5 The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

Signed in accordance with a resolutions of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

Athan Lekkas

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Director

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ENERGIO LIMITED
(FORMERLY BRAINYTOYS LIMITED)

Report on the Financial Report

We have audited the accompanying financial report of Energio Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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 of the financial statements, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Basis for Qualified Auditor's Opinion

The company has recently completed a Deed of Company Arrangement with creditors as a result of receiving Shareholder approval on 24 March 2010. Prior to this date the company was unable to fund its operations in Australia and for its overseas entities resulting in the sale of all subsidiaries by 30 June 2010. As a consequence of the disposal of its subsidiaries and the inability to access documents from previous advisors, employees and staff, the directors have been unable to obtain the company's records before 27 April 2010 and the subsidiaries records since the 30 June 2008 audit.

Due to these limitations, we have been unable to undertake sufficient appropriate audit procedures to form an opinion on the consolidated entity's and company's comparative balances for 30 June 2009 and the current year statement of comprehensive income, statement of changes in equity and cash flows and our audit report is qualified on these matters.

Qualified Auditor's Opinion

In our opinion, because of the significance of the above matter in relation to the results of the consolidated entity's and company's operations for the year to 30 June 2010, we are not in a position to, and do not, express an opinion on the comparatives for 2009 and the results of their operations and their cash flows for the year ended 30 June 2010.
In our opinion,

(a) the statement of financial position of Energio Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010; 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Energio Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001.*

BDO Audit (WA) Pty Ltd

BDO Audit

C Burton

Chris Burton
Director

Perth, Western Australia
Dated this 30 day of September 2010

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The shareholder information set out below was applicable as at 24 September 2010.

A. Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

Category (size of holding)	Ordinary Shares	
	Shares	Options
1 – 1,000	75	31
1,001 – 5,000	303	80
5,001 – 10,000	95	35
10,001 – 100,000	195	93
100,001 – and over	222	34
	890	273
The number of shareholdings held in less than marketable parcels is :	619	265

B. Equity security holders

Twenty largest quoted security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Rank	Name	24 Sep 10	%IC
1	ROMFAL SIFAT PTY LTD	37,000,000	5.44%
2	MR ATHANASIOS LEKKAS	34,000,000	5.00%
3	NOBLE INVESTMENTS PTY LTD	27,272,727	4.01%
4	LJM CAPITAL CORPORATION PTY LTD	22,800,000	3.35%
5	DOMENAL ENTERPRISES PTY LTD	22,000,000	3.23%
6	JAMES DAVID WILLIAM TAYLOR & ERIN ANNE TAYLOR	19,000,000	2.79%
7	PHEAKES PTY LTD	18,696,000	2.75%
8	AEGEAN PAL PTY LTD	18,000,000	2.65%
8	DIMOS CAPITAL PARTNERS PTY LTD	18,000,000	2.65%
8	BUZZ CAPITAL PTY LTD	18,000,000	2.65%
9	NOBLE INVESTMENTS SUPERANNUATION FUND PTY LTD	13,887,840	2.04%
10	WOBBLY INVESTMENTS PTY LTD	12,500,000	1.84%
11	RANCHLAND HOLDINGS PTY LTD	11,826,000	1.74%
11	MR DAVID ARTHUR PAGANIN	11,826,000	1.74%
12	MR ARIF ELBERT MATTHEE & MRS HAMEEDAH MATTHEE	10,000,000	1.47%
12	GRACEVIEW PTY LTD	10,000,000	1.47%
12	NATHAN DAVID TAYLOR	10,000,000	1.47%
13	JUSTIN TREMAIN	8,000,000	1.18%
13	DALEXT PTY LTD	8,000,000	1.18%
14	TAYSCRIP NOMINEES PTY LTD	7,869,384	1.16%
15	MR DAVID WILDY	7,500,000	1.10%
16	MRS ANDREA MURRAY	6,826,000	1.00%
16	MRS MELEISHA FOSTER	6,826,000	1.00%
17	NOBLE INVESTMENTS SUPERANNUATION FUND PTY LTD	6,208,218	0.91%
18	J & D ROBERTS NOMINEES PTY LTD	6,000,000	0.88%
18	IMPRESSIVE RACING PTY LTD	6,000,000	0.88%
19	LION SUPERANNUATION PTY LTD	5,450,000	0.80%
20	MR GEORGE DEMOURTZIDIS	5,000,000	0.74%
20	IMPACT NOMINEES PTY LTD	5,000,000	0.74%
	TOTAL	**393,488,169**	**57.84%**

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

Unquoted equity securities

	Number on Issue	Number of Holders
Unlisted Options expiring 31/12/2011, $1.625 exercise price	1,100,000	3
Unlisted Options expiring 14/09/2012, $1.00 exercise price	15,000	1
Unlisted Options expiring 31/12/2012, $1.25 exercise price	200,000	1
Unlisted Options expiring 30/11/2013, $0.01 exercise price	100,000,000	26

C. Substantial holders

Substantial holders in the company are set out below:

	Number Held	Percentage
Ordinary Shares		
Romfal Sifat Pty Ltd	35,000,000	5.15%
Mr Athanasios Lekkas Group	42,000,000	5.00%
Lebbon Group	52,391,846	7.70%

D. Voting Rights

The voting rights attached to each class of equity security are as follows:

(a) Ordinary shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

(b) Options

No voting rights

E. Other Company Information

The name of the Company Secretary is Sean Peter Henbury.

The address of the principal registered office in Australia is 21 Teddington Road Burswood Western Australia 6100. Telephone +61 89 9486 2333.

Registers of securities are held at the following addresses

Western Australia

Link Market Services Limited
Level 4, 80 Stirling Street
PERTH WA 6000

Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.