AAQ HOLDINGS LIMITED

(Subject to Deed of Company Arrangement)
formerly known as
Australis Aquaculture Limited

A.C.N. 098 236 938

Annual Report
For the year ended 30 June 2009

AAQ Holdings Limited

(Subject to Deed of Company Arrangement)
formerly known as
Australis Aquaculture Limited
ACN 098 236 938

Annual Report 2009

Table of Contents

Directors' Report

Your directors present their report on AAQ Holdings Limited (Subject to Deed of Company Arrangement) for the financial year ended 30 June 2009.

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

NAME OF PERSON	POSITION	DATE APPOINTED	DATE RESIGNED
Mr Guy Touzeau Le Page	Executive Chairman	7 October 2010	-
Mr Keong Chan	Non-executive director	7 October 2010	-
Mr Nikolce Jovanavski	Non-executive director	7 October 2010	-
Mr David O'Sullivan		-	7 October 2010
Mr Anthony Mitton		-	7 October 2010
Mr Michael Cohen		-	7 October 2010
Mr Joshua Goldman		-	7 October 2010
Mr Keong Chan	Company Secretary	7 October 2010	-
Mr Gabriel Chiappini	Company Secretary	-	7 October 2010

Directors have been in office since 1 July 2008 up until the date of this report unless otherwise stated.

This Directors' Report and accompanying Financial Statements ("the annual report") cover the period from 1 July 2008 to 30 June 2009. On 15 January 2009 the Directors of AAQ Holdings Limited ("the Company") at that time appointed Mr Mervyn Kitay of WHK Horwarth as Voluntary Administrators of the Company. The Company entered into a Deed of Company Arrangement and Reconstruction Deed which provides for existing debts as at the time of appointment of the Administrators to be extinguished and facilitates the Company being recapitalised and reinstated to quotation on the Australian Securities Exchange (ASX). This Annual Report presents results and the financial position that are not representative of the position of the Company following completion of the recapitalisation and should not be used as the basis for any decision about the Company or its prospects.

Information on directors
Information on Directors as at the date of this report is as follows:

Mr. Guy Touzeau Le Page – Executive Chairman
Mr. T. Le Page B.A, B.Sc.. B.App.Sc. (Hons), MBA, G. Dip App Fin, FFin, MAusIMM is a director of RM Corporate Finance a corporate finance and advisory company.

He is also actively involved in a range of corporate initiatives from mergers and acquisitions, initial public offerings to valuations, consulting, expert witness and corporate advisory roles. Mr. T. Le Page was a Corporate Adviser at ASX listed Stockbroker Tolhurst Noall from 1998 before joining RM Capital in 2002. Prior to his tenure at Tolhurst Noall, Mr. T. Le Page was Head of Research at Morgan Stockbroking Limited (Perth). As Head of Research, Mr. Le Page was responsible for the supervision of all Industrial and Resources Research.

As a Resources Analyst, Mr. T. Le Page published detailed research on various mineral exploration and mining companies listed on the ASX. The majority of this research involved valuations of both exploration and production assets.

Prior to entering the stockbroking industry, he spent 10 years as an exploration and mining geologist in Australia, Canada and the United States.

Directors' Report

His experience spans gold and base metal exploration and mining geology, and he has acted as a consultant to private and public companies. This professional experience included the production of both technical and valuation reports for resource companies.

Mr. T. Le Page holds a Bachelor of Arts, Bachelor of Science and Master of Business Administration from the University of Adelaide, a Bachelor of Applied Science (Hons) from Curtin University of Technology and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia. He is also a fellow of FINSIA and Member of the Australasian Institute of Mining and Metallurgy.

Mr. T. Le Page owns nil shares in AAQ Holdings Limited as at the date of this report.

Mr. Keong Chan – Non Executive Director & Company Secretary
Keong spent seven years with Big 4 accounting firms in Sydney, Canberra and Perth where in his last role he was national manager the Australian international trade practice involving the coordination of teams across Australia to perform due diligence on private equity transactions and analysis of establishing operations in Australia including cost minimisation programs and other restructuring activities.

Since 2007, Keong has provided advice to a number of unlisted and listed companies on corporate matters in relation to, IPOs, back door listings, mergers and acquisitions, takeovers/divestments and is also a representative for overseas funds/investment banks and mining conglomerates.

He is currently a director of Soil Sub Technologies Limited, AAQ Holdings Limited and Charterhouse Capital Pty Ltd which provides capital raising and corporate advisory services to unlisted and listed entities. Keong holds a Bachelor of Commerce and a Masters of International Law.

Mr. Chan owns nil shares in AAQ Holdings Limited as at the date of this report.

Mr. Nikolce Jovanavski – Non Executive Director

Mr. Jovanovski has over 15 years of experience within multiple engineering sectors, including heavy industrial manufacturing, research and development within the mining, automotive and infrastructure industries, plant process engineering across multiple industries ranging from mining, infrastructure, automotive, solar energy and welding manufacturing. Mr. Jovanovski has also been involved in the strategic business development of numerous companies across all parts of the world and covering a wide range of industry sectors. These roles involved the strategic development of engineering practices, business expansion strategies and implementations plans to achieve growth targets.

Mr. Jovanovski owns nil shares in AAQ Holdings Limited as at the date of this report.

During the period 1 July 2008 to 30 June 2009, 3 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors Meetings	
	Number Eligible to Attend	Number Attended
Anthony Mitton	3	3
Joshua Goldman	3	3
David O'Sullivan	3	3
Michael Cohen	3	3

Directors' Report

The principal activities of the Company during the financial year was the operation and sale of fish productions facilities in the USA and abroad.

Significant changes in the nature of the Company's principal activities during the financial year occurred as a result of failure of the Company to raise sufficient funds to meet its objectives. As a result of the failure, on 12 January 2009 the securities of the Company were suspended from official quotation on the Official List of the ASX.

On 14 January 2009 the Company issued 1,403,233 to Wakabayashi Fund LLC for a total share based payment of $226,050.

On 15 January 2009, Mervyn Kitay of WHK Horwath was appointed as the administrator of the Company pursuant to section 436A of the Corporations Act. Consequently, the Company's securities were suspended from trading on the official list of ASX.

On 20 February 2009, a meeting of creditors resolved to enter into a deed of company arrangement (Holding DOCA), whereby Mevyn Kitay was appointed as deed administrator of the Company (Deed Administrator).

The loss for the financial year after providing for income tax amounted to $14,712,068 (Consolidated 2008: ($4,425,154)).

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

Likely developments in the operations of the Company and the expected results of those operations in future financial years are dependent upon the Company successfully executing the DOCA thus being recapitalised and reinstated on the ASX.

The directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the company for the current, nor subsequent, financial year. The directors will reassess this position as and when the need arises.

There were approximately 3,431,000 unlisted options at the date of this report comprising the following:

i. 805,000 options exercisable at $0.60 expiring 20 April 2012, issued to employees under the Australis Aquaculture Limited employee share and option plan.
ii. 300,000 options exercisable at $0.50 expiring 20 December 2012.
iii. 2,100,000 options exercisable at $0.50 expiring 15 October 2012, issued to employees under the Australis Acquaculture Limited employee share and option plan
iv. 226,000 options exercisable at $0.50 expiring 8 May 2012.

No director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest except as a full-time employee of the Company or related body corporate.

During or since the end of the financial year the Company has not given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums.

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

With exception to the Company being under voluntary administration during the period the company was not party to any such proceedings during the year.

Remuneration Report

Directors' Report

This report details the nature and amount of the remuneration for each key management person of AAQ Holdings Limited and for the executives receiving the highest remuneration for 30 June 2009. As the current directors were not the directors at the financial year end for the 30 June 2009, it was determined as the required information was unavailable due to the information and knowledge residing with the previous directors and the accounting records provided may have been incomplete details of remuneration for 30 June 2009 have been excluded.

Remuneration policy

The remuneration policy, which sets the terms and conditions for the key management personnel, was developed by the Board of Directors ("the Board") after seeking professional advice from independent consultants and was approved by the board. All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The Board of Directors reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is measured against criteria agreed half yearly which is based on the forecast growth of the company's profits and shareholders value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

Executives are also entitled to participate in the employee share and option arrangements.

All remuneration paid to executives is valued at the cost to the Company and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options are valued using the Black and Scholes methodology.

The board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the Company. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the board as part of the review of executive remuneration. All bonuses, options and incentives must be linked to predetermined performance criteria. The board can exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria.

Performance based remuneration

As part of each number of the key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators ("KPIs"). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each member of key management personnel is involved in and has a level of control over. The KPIs target areas the board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

Company performance, shareholder wealth and director and executive remuneration.

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. This will be achieved via offering performance incentives based on key performance indicators.

The Directors of the Company have been focussing on the re-listing of the Company on the Australian Securities Exchange. In view of this, and the current stage of development of the Company, an analysis of revenue growth is not considered appropriate and has not been provided.

Directors' Report

Details of remuneration for the year ended 30 June 2009

2009

Key Management Personnel	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related
	Cash, salary & fees	Cash profit share	Non-cash benefit	Other	Superannuation	Other	Equity	Options			
	$		$	$	$	$	$	$	$	%	%
Directors											
Mr I Mitton	-	-	-	-	-	-	-	-	-	-	-
Mr J Goldman	-	-	-	-	-	-	-	-	-	-	-
Mr D O'Sullivan	-	-	-	-	-	-	-	-	-	-	-
Mr M Cohen	-	-	-	-	-	-	-	-	-	-	-
Officers	-	-	-	-	-	-	-	-	-		
Mr J Daen	-	-	-	-	-	-	-	-	-	-	-
Mr G Chiappini (ii)	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-		

As the current directors were not the directors at the financial year end for the 30 June 2009, it was determined as the required information was unavailable due to the information and knowledge residing with the previous directors and the accounting records provided may have been incomplete details of remuneration for 30 June 2009 have been excluded.

On 16 Janunary 2009 WHK Horwath were appointed as Administrators of the Company. The fees incurred by WHK Horwath between 16 January and 30 June 2009 were $293,255.

Details of remuneration for the year ended 30 June 2008

2008

Key Management Personnel	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related
	Cash, salary & fees	Cash profit share	Non-cash benefit	Other *	Superannuation	Other	Equity[1]	Options			
	$		$	$	$	$	$	$	$	%	%
Directors											
Mr I Mitton appointed 14/05/08	-	-	-	-	-	-	-	-	-	-	-
Mr J Goldman (i)	204,508	9,584	-	-	6,135	-	-	-	220,227	-	-
Mr D O'Sullivan	32,500	-	-	-	2,926	-	-	-	35,426	-	-
Mr M Cohen	23,687	-	-	-	-	-	-	-	23,687	-	-
Mr S Graham Resigned 28/03/08	40,392	-	-	-	3,635	-	-	-	44,027	-	-
Officers											
Mr J Daen	168,719	9,584	-	-	5,062	-	-	68,938	252,303	-	-
Mr G Chiappini (ii)	66,000	39,510	-	-	-	-	-	5,957	111,467	-	-
	535,806	58,678	-	-	17,757	-	-	74,895	687,136		

Directors' Report

(i) Mr Goldman's performance related options of 1,000,000 did not vest due to revenue hurdle of $7,700,000 not being met during 2008. Revenue hurdles were adopted to align Mr Goldman's performance to that of the Company's.

(ii) Mr Chiappini served as an interim director from 31 March 2008 through to 30 May 2008.

Subsequent Events

On 22 January 2010, the Administrator paid to the Licensor the annual fee of $10,000 in respect of the Licence Agreement. AAQ has the option to extend the Licence Agreement for a further period of up to 7 years.

On 30 September 2010, the Company obtained the approval of its creditors to vary the terms of the Holding DOCA (Replacement DOCA) allowing the Company to be reconstructed under the terms of the Recapitalisation Deed. As part of the terms of the Replacement DOCA, all claims of creditors against the Company will be extinguished and any claims will be paid out of a creditors' trust, to be managed by an appointed trustee.

A Notice of Meeting to shareholders was sent to all shareholders on 29 October 2010 which states the recapitalisation proposal put forward by the Proponent a summary of the Recapitalisation Deed together with other relevant information can be reviewed in Note 21 of the annual report.

Non-audit Services

During the year, there were no non-audit services provided to the Company by the auditors of the company.

Auditor's Independence Declaration

The lead auditor's independence declaration, as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2009 has been received and can be found on page 7.

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

Keong Chan
Director

DATED at PERTH this 10th day of November 2010.

Bentleys
Thinking ahead

Bentleys Audit
& Corporate (WA) Pty Ltd
ABN 33 121 222 802

Level 1
12 Kings Park Road
West Perth WA 6005

PO Box 44
West Perth WA 6872

T +61 8 9226 4500
F +61 8 9226 4300

www.bentleys.com.au

To The Board of Directors

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

This declaration is made in connection with our audit of the financial report of AAQ Holdings Limited for the year ended 30 June 2009 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 10th day of November 2010

Income Statement

for the year ended 30 June 2009

	Note	2009 $	2008 $
Revenue	2	5,231	185,049
Other income	2	51,028	625,000
Corporate expense		(228,404)	(282,243)
Employee benefits expense		(123,035)	(190,700)
Advertising and marketing costs		(107,807)	(62,079)
Administrators expense		(293,256)	-
Finance expense		(88,099)	-
Legal expense		(68,750)	-
Impairment expense	3	-	(5,088,571)
Foreign exchange gain/ (expense)		166,691	(918,052)
Travel and accommodation		-	(43,167)
Listing and share register expense		-	(92,590)
Fair value movement on financial asset held for trading		-	(200,000)
Share based payment	3	(226,050)	-
Loss on investment held for trading		(374,970)	-
Loss on sale of subsidiary	3	(13,374,143)	-
Other expenses from ordinary activities		(50,505)	(14,482)
Loss before income tax expense	3	(14,712,068)	(6,081,835)
Income tax expense	4	-	-
Loss from continuing operations for the year		(14,712,068)	(6,081,835)
Basic loss per share		0.16	0.069

The accompanying notes form part of these financial accounts

Balance Sheet
as at 30 June 2009

	Note	2009 $	2008 $
CURRENT ASSETS			
Cash and cash equivalents	7	65,452	1,323,214
Trade and other receivables	8	8,230	17,055
Other assets	9	78,246	18,428
TOTAL CURRENT ASSETS		151,928	1,358,697
NON CURRENT ASSETS			
Trade and other receivables	8	-	12,516,046
Financial assets	10	-	425,015
TOTAL NON CURRENT ASSETS		-	12,941,061
TOTAL ASSETS		151,928	14,299,758
CURRENT LIABILITIES			
Trade and other payables	12	302,186	54,995
TOTAL CURRENT LIABILITIES		302,186	54,995
NON-CURRENT LIABILITIES			
Unearned income		-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		302,186	54,995
NET ASSETS/ (DEFICIENCY)		(150,258)	14,244,763
EQUITY			
Issued capital	14	25,940,041	25,713,991
Accumulated losses		(26,801,465)	(12,089,397)
Reserve	15	711,166	620,167
TOTAL EQUITY		(150,258)	14,244,761

The accompanying notes form part of these financial accounts

Statement of Changes in Equity

for the year ended 30 June 2009

	Note	Issued Capital	Accumulated Losses	Option Reserve	Total
BALANCE AT 1 JULY 2007		18,025,490	(6,007,562)	540,574	12,558,502
Issue of share capital	14	7,688,501	-	-	7,688,501
Share based payment	20	-	-	79,593	79,593
Loss attributable to members		-	(6,081,835)	-	(6,081,835)
Options exercised		-	-	-	-
SUB-TOTAL		25,713,991	(12,089,397)	620,167	14,244,761
Dividends paid or provided for		-	-	-	-
BALANCE AT 30 JUNE 2008		25,713,991	(12,089,397)	620,167	14,244,761
BALANCE AT 1 JULY 2008		25,713,991	(12,089,397)	620,167	14,244,761
Loss attributable to members		-	(14,712,068)	-	(14,712,068)
Share based payment	20	226,050	-	90,999	317,049
SUB-TOTAL		25,940,041	(26,801,465)	711,166	(150,258)
Dividends paid or provided for		-	-	-	-
BALANCE AT 30 JUNE 2009		25,940,041	(26,801,465)	711,166	(150,258)

The accompanying notes form part of these financial accounts

Cash Flow Statements

for the year ended 30 June 2009

	Note	2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		67,180	-
Payments to suppliers and employees		(516,889)	(723,000)
Interest received		-	208,000
Net Cash Provided By Operating Activities	19(b)	(449,709)	(515,000)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of investment		50,045	-
Proceeds from sale of subsidiary		217,342	-
Payment to Related parties		(5,056,907)	(7,238,000)
Net Cash Used In Investing Activities		(4,789,520)	(7,238,000)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	7,982,438
Payment of share issue costs		-	(293,937)
Proceeds from borrowings		3,981,467	-
Repayment of borrowings		-	-
Net Cash used In Financing Activities		3,981,467	7,688,501
Net (decrease) in cash held		(1,257,762)	(64,499)
Foreign exchange movement		-	(917,732)
Cash at 1 JULY		1,323,214	2,305,445
Cash at 30 JUNE	19(a)	65,452	1,323,214

The accompanying notes form part of these financial accounts

Notes to the Financial Statements

for the year ended 30 June 2009

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report covers the Company of AAQ Holdings Limited (Subject to Deed of Company Arrangement).

a. Limitations on Preparation

On 15 January 2009 the Company appointed an Administrator. The Administrator's appointment was to Australis Acquaculture Limited now known as AAQ Holdings Limited (Subject to Deed of Company Arrangement). The current Company Directors were not Directors as at the Reporting Date, nor were they parties involved with the Company.

Every reasonable effort has been made by the Directors to ascertain the true position of the AAQ Holdings Limited (Subject to Deed of Company Arrangement) as at 30 June 2009. However, there may be information that the Directors have not been able to obtain, the impact of which may or may not be material on the accounts.

b. Basis of Preparation

Reporting Basis and Conventions

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 to the extent possible described in note 1(a). AAQ Holdings Limited is a listed public company (suspended), incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Comparatives

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

The 2008 comparative figures are based on the parent entity numbers in the financial statements lodged with the ASX on the 1 October 2008. The subsidiaries were sold on the 27 February 2009. Sufficient information was not available to present the accounts as Consolidated at 30 June 2009.

Limitations on Preparation - Comparatives

On 15 January 2009 the Company appointed an Administrator. The current Company Directors were not Directors as at the Reporting Date, nor were they parties involved with the Company.

Every reasonable effort has been made by the Directors to ascertain the true position of AAQ Holdings Limited (Subject to Deed of Company Arrangement) as at 30 June 2009. However, there may be information that the Directors have not been able to obtain, the impact of which may or may not be material on the accounts.

Going Concern

The balance sheet of the Company as at 30 June 2009 discloses a net working capital deficiency of $150,258 (2008 net working capital surplus: $1,303,702).

The Company incurred a loss from ordinary activities of for the period ended 30 June 2009 of $14,712,068 (2008: 6,081,835).

On 12 January 2009 the securities of AAQ Holdings Limited (AAQ) were suspended from official quotation on the Official List of the Australian Securities Exchange ("the ASX") as a result of the failure of the company to successfully arrange funding requirements.

On 14 January 2009 the Company issued 1,403,233 to Wakabayashi Fund LLC for a total share based payment of $226,050.

On 15 January 2009, Mervyn Kitay of WHK Horwath was appointed as the administrator of the Company pursuant to section 436A of the Corporations Act. Consequently, the Company's securities were suspended from trading on the official list of ASX Limited (ASX).

On 20 February 2009, a meeting of creditors resolved to enter into a deed of company arrangement (Holding DOCA), whereby Mevyn Kitay was appointed as deed administrator of the Company (Deed Administator).

On 27 February 2009 the deed administrator arranged for the sale of all the equity interests in AALLC, AAHLLC and AAVL, that is all the overseas subsidiaries. In exchange for the equity interests in the subsidiaries AAQ Holdings Limited was released from any claims outstanding to WM Capital and cash consideration of $217,342.

The Deed Administrator subsequently called for proposals to recapitalise the Company with a view to seeking reinstatement to trading of its securities on ASX. A proposal from Charterhouse Capital Pty Ltd (Proponent) for the restructuring and recapitalisation of the Company was accepted and the terms agreed pursuant to a recapitalisation deed between the Deed Administrator, the Proponent and the Company (Recapitalisation Deed).

On 22 January 2010, the Administrator paid to the Licensor the annual fee of $10,000 in respect of the Licence Agreement. AAQ has the option to extend the Licence Agreement for a further period of up to 7 years.

On 30 September 2010, the Company obtained the approval of its creditors to vary the terms of the Holding DOCA (Replacement DOCA) allowing the Company to be reconstructed under the terms of the Recapitalisation Deed. As part of the terms of the Replacement DOCA, all claims of creditors against the Company will be extinguished and any claims will be paid out of a creditors' trust, to be managed by an appointed trustee.

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because under the Charterhouse proposal the purpose is inclusive of the following transactions;

- Consolidation of existing fully paid ordinary shares (Shares) on a one (1) for five (5) basis together with the consolidation of its existing options in the same ratio as the existing Shares.
- 100,000,000 Shares to the Proponent (or its nominees) at an issue price of $0.001 to raise $100,000 (with 15,000,000 Shares offered in priority to Priority Shareholders); and
- Issue up to 275,000,000 Shares at an issue price of $0.01 to raise up to $2,750,000 (with 75,000,000 Shares offered in priority to Priority Shareholders).

In raising this capital, the Company will then make a payment of $402,500 to the Creditor's Trust to effectuate the DOCA with the Administrators, thereby allowing them to resign as Administrators of the Company and allowing the Company to relist on the ASX.

The ability of the Company to continue to pay its debts as and when they fall due is dependent upon the Company successfully raising additional share capital.

Upon effectuation of the DOCA and all conditions associated with the reinstatement of the shares on the ASX, the Company's securities will be reinstated on the ASX.

Accordingly the accompanying financial statements have been prepared on a going concern basis. To the extent that the Company is not successful in raising capital, or in gaining reinstatement to official quotation on the ASX there is a level of uncertainty as to whether the Company will be able to continue to operate as a going concern

c. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, 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 the shorter of their estimated useful lives or the lease term.

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.

e. Financial Instruments

Recognition and Initial Measurement

Financial Instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

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 and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. 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 income statement in the period in which they arise.

Classification and Subsequent Measurement

Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss 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.

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company 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 equity.

Financial liabilities

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 income statement 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 Company 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 income statement.

f. Impairment of Assets

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

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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g. Foreign Currency Transactions and Balances

Functional and presentation currency

Historically the functional currency is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

h. Employee Benefits

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have also been measured at their nominal amount.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

i. Provisions

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

j. Cash and Cash Equivalents

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

k. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

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

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

l. 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 of sale.

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

m. Goods and Services Tax (GST)

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

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

n. 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 Company.

Key Judgment – Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Key Estimate – Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

The financial report was authorised for issue on the 10th of November 2010 by the board of directors.

Notes to the Financial Statements

for the year ended 30 June 2009

	Note	2009 $	2008 $
NOTE 2. REVENUE AND OTHER INCOME			
Revenue			
– Sales of Goods		5,112	-
– Interest Received		119	185,049
Total Revenue		5,231	185,049
Other Income			
– Miscellaneous Income		51,028	-
– Gain on sale of technology		-	625,000
Total Other Income		51,028	625,000

NOTE 3. LOSS FOR THE YEAR

	Note	2009 $	2008 $
Foreign Currency Translation (Gain)/ Losses		(166,691)	918,052
Diminution of intercompany loan		-	5,088,571
Share based payment		226,050	-
Loss on sale of subsidiaries	19(c)	13,374,143	-
Employee benefits expense			
– Salaries and on costs		32,036	97,579
– Superannuation		-	13,529
– Share based payments		90,999	79,592
		123,035	190,700

Notes to the Financial Statements

for the year ended 30 June 2009

NOTE 4. INCOME TAX

	2009 $	2008 $
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-
Deferred income tax expense included in income tax expense comprises:		
- (Increase) in deferred tax assets	-	-
- Increase in deferred tax liabilities	-	-
	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on operating profit at 30%	(4,413,620)	(1,824,551)
Add / (Less)		
Tax effect of:		
Non-deductible items	4,012,242	1,322,449
Deferred tax asset not brought to account	401,378	502,102
Income tax attributable to operating loss	-	-
The applicable weighted average effective tax rates are as follows:	nil%	nil%
Balance of franking account at year end	nil	nil
(c) Deferred tax assets		
Tax Losses	1,859,378	1,372,000
Other	25,943	213,000
	1,885,321	1,585,000
Set-off deferred tax liabilities	-	(127,000)
Net deferred tax assets	1,885,321	1,458,000
(d) Tax losses		
Unused tax losses and other for which no deferred tax asset has been recognised	(1,885,321)	(1,458,000)

Notes to the Financial Statements

for the year ended 30 June 2009

Note 4. INCOME TAX

Potential deferred tax assets attributable to tax losses carried forward have not been brought to account at 30 June 2009 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;

ii. the company continues to comply with conditions for deductibility imposed by law.

	2009 $	2008 $
NOTE 5. AUDITORS' REMUNERATION		
Remuneration of the parent entity auditors for:		
– Auditing or reviewing the financial report	-	80,000
– Other Services	-	18,694
	-	98,694

NOTE 6. Key Management Personnel Compensation

a) Names and Positions held of key management personnel in office at any time during the financial year are:

Key Management Person	Position
Joshua Goldman	Managing Director
Anthony Mitton	Chairman - Non-Executive Director
David O'Sullivan	Non-Executive Director
Michael Cohen	Non-Executive Director

b) Shareholdings
Number of shares held by key management personnel as at 30 June 2009

Key Management Person	Balance 30.06.2009	Balance 01.07.2008
Joshua Goldman	2,477,983	2,477,983
Anthony Mitton	70,400	70,400
David O'Sullivan	2,635,000	2,635,000
Michael Cohen	1,009,328	79,886
Total	6,192,711	5,263,269

Notes to the Financial Statements

for the year ended 30 June 2009

c) Remuneration of Key Management Personnel

The totals of remuneration paid to KMP of the company during the year are as follows:

	2009 $	2008 $
Short-term employee benefits	-	594,484
Post-employment benefits	-	17,757
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	74,895
	-	687,136

NOTE 7. CASH AND CASH EQUIVALENTS

Cash at bank	65,452	1,323,214

NOTE 8. TRADE AND OTHER RECEIVABLES

CURRENT		
Trade debtors	-	-
Other debtors	8,230	17,055
	8,230	17,055
NON CURRENT		
Related party receivable		
Loan to controlled entities	-	20,541,393
Impairment losses	-	(8,025,347)
	-	12,516,046

NOTE 9. OTHER ASSETS

CURRENT		
Prepayments	78,246	18,428
	78,246	18,428

Notes to the Financial Statements

for the year ended 30 June 2009

NOTE 10. FINANCIAL ASSETS

	2009 $	2008 $
NON CURRENT		
At fair value – Australian listed shares	-	425,015
	-	425,015

NOTE 11. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)*	
		2009	2008
Parent entity as noted at June 2008:-			
AAQ Holdings Limited	Australia	-	-
Subsidiaries of AAQ Holdings Limited:-			
	Australia	-	100%

* Percentage of voting power in proportion to ownership

NOTE 12. TRADE AND OTHER PAYABLES

	2009 $	2008 $
CURRENT		
Unsecured Liabilities:		
Trade creditors and accrued expenses	302,186	54,995

NOTE 13. EARNINGS PER SHARE

	2009 $	2008 $
Earnings used in calculating basic earnings per share	14,712,068	(6,081,835)
	No.	No.
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	89,395,741	87,515,001

Notes to the Financial Statements

for the year ended 30 June 2009

NOTE 14. ISSUED CAPITAL

	2009 $	2008 $
90,156,947 (2008: 88,753,714) Fully paid ordinary shares with no par value	25,940,041	25,713,991

(a) **Ordinary shares:**

	No.	No.
At the beginning of the reporting period	88,753,714	72,732,699
Shares issued during the year		
– Issue of shares	-	15,971,015
– Exercise of options	-	50,000
– 14 January 2009	1,403,233	-
At reporting date	90,156,947	88,753,714

The company has no authorised share capital.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

(b) **Capital Management:**

The Directors' objectives when managing capital are to ensure that the Company can fund its operations and continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet business development and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Company at 30 June 2009 and 30 June 2008 are as follows:

Working Capital:	2009 $	2008 $
Cash and cash equivalents	65,452	1,323,214
Trade and other receivables	8,230	17,055
Trade and other payables	(302,186)	(54,995)
Working capital position	(228,504)	1,285,274

NOTE 15. RESERVES

The option reserve records items recognised as expenses on valuation of employee share options.

NOTE 16. CAPITAL & LEASING COMMITMENTS

NOTE 16. CAPITAL & LEASING COMMITMENTS

There are no such commitments.

NOTE 17. CONTINGENT LIABILITIES AND ASSETS

There are no contingent assets or liabilities.

NOTE 18. SEGMENT REPORTING

The Company is currently in the process of recapitalisation as such there is no such defined business segment. The entity is currently operative in one geographic region being Australia.

NOTE 19. CASH FLOW INFORMATION

	2009 $	2008 $
(a) Reconciliation of Cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents	65,452	1,323,214
	65,452	1,323,214
(b) Reconciliation of Cash Flow from Operations with Operating Profit after Income Tax		
Operating profit after income tax	(14,712,068)	(6,081,835)
Non-cash flows in profit from ordinary activities		
Net loss on disposal of subsidiary	13,374,143	-
Net loss on disposal of investments	374,970	-
Share based payment	317,049	79,592
Unrealised gain	-	(425,000)
Impairment loss – Intercompany loan	-	5,088,571
Foreign exchange loss/ (gain)	-	918,052
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(2,096)	-
(Increase)/decrease in other assets	(48,897)	23,000
Increase/(decrease) in other liabilities	-	-
Increase/(decrease) in trade and other payables	247,190	(118,000)
	(449,709)	(515,620)

(c) Non-Cash Financing and Investing Activities

During the year the subsidiaries of the former consolidated group were sold, this resulted in a net loss of $13,374,143. The transaction included cash consideration of $217,342 and forgiveness of a liability of $3,981,468 to WM Capital.

NOTE 20. SHARE BASED PAYMENTS

Measurement Date	Number of Shares	Price Per Share	Fair Value
14 January 2009	1,403,233	$0.16	226,050
	1,403,233		226,050

The shares were issued as compensation for services and the fair value of the above equity instruments were determined the amount that was outstanding to the service provider.

On the 1 August 2008 226,000 share options were issued under contract as part of 2007 funds raised. The options have an exercise price of $0.50 each. The options are exercisable on or before 8 May 2012.

NOTE 21. EVENTS AFTER THE BALANCE SHEET DATE

In addition to the events identified in Note 1 Going Concern, the following matters have been noted as events subsequent to balance date.

A Notice of Meeting to shareholders was sent to all shareholders on 29 October 2010 which states the recapitalisation proposal put forward by the Proponent:

A summary of the Recapitalisation Deed is set out below, together with other relevant information.

(a) AAQ will consolidate its existing fully paid ordinary shares (Shares) on a one (1) for five (5) basis together with the consolidation of its existing options in the same ratio as the existing Shares.

(b) The Proponent will provide $402,500 cash to the Deed Administrator for his distribution to the unsecured creditors of AAQ (after deducting associated costs of the Deed Administrator) (Cash Consideration).

(c) The Proponent will fund the Deed Administrator's costs of up to $27,500 (including GST) to convene the necessary creditors meeting(s) to approve the reconstruction proposal.

(d) The Proponent will reimburse the Deed Administrator's reasonable costs of up to a maximum amount of $10,000 (excluding GST) in reviewing and assisting with the recapitalisation documents.

(e) The Cash Consideration will be raised through a number of capital raisings by AAQ (which will be subject to the receipt of shareholder approval) on the following post-consolidation basis:

(i) 100,000,000 Shares to the Proponent (or its nominees) at an issue price of $0.001 to raise $100,000 (with 15,000,000 Shares offered in priority to Priority Shareholders); and

(ii) up to 275,000,000 Shares at an issue price of $0.01 to raise up to $2,750,000 (with 75,000,000 Shares offered in priority to Priority Shareholders).

(f) The Proponent will underwrite the capital raisings.

(g) The Cash Consideration will be made available to the Deed Administrator within 5 business days after the satisfaction of the conditions set out below.

(h) AAQ will issue 10,000,000 post-consolidation shares to the Deed Administrator for the benefit of the unsecured creditors of AAQ (Share Consideration).

(i) All of the directors of AAQ will be removed (unless they have already resigned) and be replaced by nominees of the Proponent.

(j) AAQ will retain all of its assets, in particular its interest in a licence agreement for patented technology and other intellectual property.

(k) The Cash Consideration is offered for control of AAQ and is made on the basis that immediately following shareholder approval of this proposal:

(l) the Replacement DOCA terminates and a trust fund is established to hold the Cash Consideration and Share Consideration for unsecured creditors and claimants of AAQ (Trust Fund); and

(m) AAQ pays the Trustee of the Trust Fund the Cash Consideration in full and final satisfaction of the Proponent's offer in relation to the Recapitalisation Deed.

NOTE 22. FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, accounts payable, and loans.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

The Company does not have any derivative instruments at 30 June 2009.

i. Treasury Risk Management

Currency exposure does not have a material impact on the Company.

ii. Financial Risks

Interest rate risk

Interest rate exposure does not have a material impact on the Company.

Foreign currency risk

Foreign currency risk does not have a material impact on the Company.

Liquidity risk

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

Credit risk

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

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

Price risk

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

Notes to the Financial Statements

for the year ended 30 June 2009

NOTE 23. COMPANY DETAILS

The registered office is:
C/ WHK Horwath
Level 6, 256 St Georges Terrace
Perth WA 6000
Telephone: 08 9481 1448
Facsimile: 08 9481 0152

The principal place of business is:
C/ WHK Horwath
Level 6, 256 St Georges Terrace
Perth WA 6000
Telephone: 08 9481 1448
Facsimile: 08 9481 0152

NOTE 24. RELATED PARTY TRANSACTIONS

The directors (who were not the directors at the date of this report) are not aware of any related party transactions that occurred during the year ended 30 June 2009.

NOTE 25. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Company will be unable to be determined. The following changes to accounting requirements are included:
  - acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
  - contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
  - a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
  - there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Company's policy);
  - dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
  - impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
  - where there is, in substance, no change to Company interests, parent entities inserted above existing Companys shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

  The Company will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.

- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Company. If an entity has made a prior period adjusto| nt or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Company as a policy of capitalising qualifying borrowing costs has been maintained by the Company.
- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.
- AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute.

The Company does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Company's financial statements.

Directors' Declaration

Due to the existence of the limitations on the preparation of the financial report as discussed in Note 1, the directors of the company are unable to declare that;

1. The financial statements set out on pages 8 to 29 are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards; and

   (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company;

2. Due to the existence of the limitations on the preparation of the financial report as discussed in Note 1, the Chief Executive Officer and Chief Finance Officer are unable to declare that;

   (a) the financial records of the company for the financial year have been properly maintained in accordance with s286 of the *Corporations Act 2001*;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view;

In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Keong Chan
Director

DATED at PERTH this 10th day of November 2010

Bentleys
Thinking ahead

Bentleys Audit
& Corporate (WA) Pty Ltd
ABN 33 121 222 802

Level 1
12 Kings Park Road
West Perth WA 6005

PO Box 44
West Perth WA 6872

T +61 8 9226 4500
F +61 8 9226 4300

www.bentleys.com.au

Independent Auditor's Report

To the Members of AAQ Holdings Limited

(Subject to Deed of Company Arrangement)

We have audited the accompanying financial report of AAQ Holdings Limited ("the Company"), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Company at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

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

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

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

Independence

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

Independent Auditor's Report

To the Members of AAQ Holdings Limited (Continued)

Bentleys
Thinking ahead

Basis for Disclaimer of Auditor's Opinion

As noted in Note 1 to the financial statements, on 15 January 2009 the Company appointed an Administrator. The Administrator's appointment was to Australis Acquaculture Limited now known as AAQ Holdings Limited (Subject to Deed of Company Arrangement). The current Company Directors were not Directors as at the Reporting Date, nor were they parties involved with the Company.

Every reasonable effort has been made by the Directors to ascertain the true position of the AAQ Holdings Limited (Subject to Deed of Company Arrangement) as at 30 June 2009. However, there may be information that the Directors have not been able to obtain, the impact of which may or may not be material on the accounts..

Furthermore, the director's declaration indicates an inability by the Directors to declare that the financial statements and notes have been prepared in accordance with the Corporations Act 2001, including;

1. The financial statements set out on pages 8 to 29 are in accordance with the Corporations Act 2001 and:

    (a) comply with Accounting Standards; and

    (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and consolidated group;

2. Due to the existence of the limitations on the preparation of the financial report as discussed in Note 1, the Chief Executive Officer and Chief Finance Officer are unable to declare that;

    (a) the financial records of the company for the financial year have been properly maintained in accordance with s286 of the *Corporations Act 2001*;

    (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

    (c) the financial statements and notes for the financial year give a true and fair view;

Due to these limitations we are unable to obtain all the information and perform the required procedures in order to form our opinion on the financial report.

Disclaimer of Auditor's Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Auditor's Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included within the report of the directors for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Independent Auditor's Report
To the Members of AAQ Holdings Limited (Continued)

Bentleys
Thinking ahead

Disclaimer of Auditor's Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Auditor's Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Accordingly we do not express an opinion on the Remuneration Report.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 10th day of November 2010