Vortex Pipes Limited

ACN 096 870 978

Annual report for the financial year ended 30 June 2012

CONTENTS

ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

CORPORATE DIRECTORY

Directors
Patrick Corr (Chairman)
Trevor Gosatti (Managing Director)
Santino Di Giacomo (Non-Executive Director)
Keith Bowker (Non-Executive Director)

Company Secretary
Keith Bowker

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Wangara, WA 6065

Website
www.vortexpipes.com

Auditors
Pitcher Partners Corporate & Audit (WA) Pty Ltd
Level 1, 914 Hay Street
Perth, WA 6000

Share Registry
Security Transfer Registrars Pty Ltd
Alexandrea House
Suite 1, 770 Canning Highway
Applecross, WA 6153
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Patent Attorney
Wray & Associates
Level 4, 1 William Street
Perth, WA 6000

Banker
National Australia Bank
226 Main Street
Osborne Park, WA 6017

Home Stock Exchange
Australian Securities Exchange Limited
Exchange Plaza
Level 2, The Esplanade
Perth, WA 6000

ASX Code: VTX

CORPORATE GOVERNANCE STATEMENT

The Board recognises that the Company's shareholders, employees, regulatory bodies, customers and the community expect a high standard of accountability, performance and ethical behaviour and the Board acknowledges its responsibilities for and commitment to best practice in corporate governance.

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the Company are achieved, how risk is monitored and assessed and how performance is optimised.

The Board is committed to corporate governance and, to the extent they are applicable to the Company, have adopted the Eight Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by ASX Corporate Governance Council ("CGC").

Principle 1 – Lay solid foundations for management and oversight

The Board of directors is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

At present the only executive of the Company is the Managing Director. The evaluation of the performance of the Managing Director is assessed annually (or on an as needed basis).

The Board has established a framework for the management of the Company including an overall framework of internal control, risk management and ethical standards. This framework is expressed in a Board Charter and in a statement of delegation of authority to senior management which is held in the Company's registered office and available to the public upon request.

Principle 2 – Structure the Board to add value

The Council states that the Company should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

The full Board is responsible for establishing criteria for Board membership, reviewing Board membership and identifying and nominating directors. Board membership is reviewed regularly to ensure the Board has an appropriate mix of qualifications, skills and experience. Candidates appointed by the Board must stand for election at the first General Meeting of shareholders following their appointment. The Board of the Company currently comprises of a non-executive Chairman, Managing Director and two non-executive directors.

Details of directors (Mr Patrick Corr, Mr Trevor Gosatti, Mr Keith Bowker and Mr Santino Di Giacomo) are set out in the Directors' Report. Mr Gosatti is an executive director and therefore not considered an independent director. The Company complies with ASX Corporate Governance Principle 2.1 which recommends that a company's Board comprise a majority of independent directors.

The Company's Managing Director has the responsibility for guiding management in effectively carrying out tasks and achieving job task objectives.

The full Board meets on an as-to-when required basis with a comprehensive set of Board papers issued before the meeting for consideration and discussion. The Board as a whole makes decisions on important Company issues.

The Company is currently not of a relevant size that justifies the formation of a separate Nomination Committee. Matters typically dealt with by such a committee are dealt with by the Board of directors. To assist the Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their duties, they may do so at the Company's expense.

During the financial year ended 30 June 2012, there have been changes to the Board. It was in March 2012 that two new directors were appointed to the Board, these being Messrs Patrick Corr and Keith Bowker, replacing outgoing directors Messrs Mark Jenkins and John Phillips. Subsequently, the Board has not yet developed a formal process for performance evaluation at this time. However, to ensure that the responsibilities of the Board are discharged in an appropriate manner, the performance of the Board will be reviewed annually by the independent, non-executive Chair; and the performance of the Chair will be reviewed annually by the rest of the Board. Directors whose performance is consistently unsatisfactory may be asked to retire.

Principle 3 – Promote ethical and responsible decision-making

The Board has adopted a Company Code of Conduct to promote ethical and responsible decision-making by all employees (including directors). The Code embraces the values of honesty, integrity, accountability, equality and striving to enhance the reputation and performance of the Company. In summary the over-riding principles are:

- all employees must conduct their duties honestly and in the best interests of the Company as a whole.
- treat other stakeholders fairly and without discrimination.
- respect confidentiality and do not misuse Company information or assets.
- conduct themselves in accordance with both the letter and spirit of the law.
- maintain a safe working environment.

A copy of the Company's Code of Conduct is available at the Company's principal place of business.

The Company has also formulated a Company policy for directors, executives and employees concerning dealings in Company securities. This policy is as follows:

Company policy and the Corporations Act 2001, prohibits directors and employees from buying and selling or otherwise dealing in securities of the Company whilst in possession of price sensitive information that, in accordance with the Corporations Act 2001, has not been made public or is otherwise not generally available.

in accordance with good practice and to assist in the avoidance of any inadvertent breach of the Corporations Act 2001, the policy of the Company in relation to dealings by directors and employees in securities of the Company is as follows:

A Director or employee may only purchase, transfer, or otherwise deal in securities of the Company during a 30 day period commencing three days after:

a) *The release of the Company's annual report to the ASX;*
b) *The release of the Company's half yearly financial report to the ASX;*
c) *The release of a quarterly report by the Company to the ASX pursuant to Listing Rule 4.7B;*
d) *The annual general meeting of the Company; or*
e) *The release of a Company prospectus.*

Each director and employee is required to satisfy themselves that any dealing in securities of the Company which they undertake is not in breach of the Corporations Act 2001.

This policy has been incorporated into a set of Guidelines for Trading in Company Shares, which is available at the Company's principal place of business.

The Company adopted a diversity policy on the 1 July 2011 as part of their Corporate Governance Plan. The Company recognises the benefits arising from Board diversity, and is committed to providing a diverse workplace that embraces and promotes diversity. The Company is currently not of a size that justifies the formal establishment of measurable diversity objectives.

Principle 4 – Safeguard integrity in financial reporting

The Company is not of a size at the moment that justifies having a separate audit committee. However, matters typically dealt with by an audit committee are currently dealt with by the Board of directors which comprises one independent Non-Executive Chair, two Non-Executive Directors and one non-independent director. Though the Company intends to seek out and appoint additional independent directors to the Board when size and scale of the Company justify and warrant their inclusion, for the time being the Company maintains a mix of directors from different backgrounds with complementary skills and experience. No charter has been developed, as there is no audit committee due to the role currently being fulfilled by the Board.

The Company's auditor is Pitcher Partners Corporate & Audit (WA) Pty Ltd ("Pitcher Partners"), appointed in 2012. Consistent with ASX CGC 6 Pitcher Partners attends, and is available to answer questions at, the Company's Annual General Meeting.

The signing off of the annual accounts is a matter considered by the whole Board together with the external auditors.

Principle 5 – Make timely and balanced disclosure

The Council states that the Company should make timely and balanced disclosure of all material matters concerning the Company.

In the Company's current stage of development, matters of critical importance arise regularly. The Managing Director and Company Secretary will discuss significant issues with Board members and jointly will make a decision on the timely release of factual and balanced information concerning the Company's activities. To maintain consistency, the Board has approved a Continuous Disclosure Policy, which is available at the Company's registered office, and which covers announcements to the ASX, prevention of selective or inadvertent disclosure, conduct of investor and analysts' briefings, and media communications.

Principle 6 – Respect the rights of shareholders

Pursuant to Principle 6, the Company's objective is to ensure effective communication with its shareholders at all time. The Company recognises the important role of communicating with shareholders, and has for several years regularly informed shareholders about current and proposed activities.

Given the size of the Company, all communication with shareholders is currently reverted to the Board and its Company Secretary. The Company's website has a dedicated media section which publishes all important Company Information and relevant announcements made to the market.

The Company will ensure that the Annual General Meeting is held in a manner that enables as many shareholders as possible to attend and encourages effective participation by shareholders. The Company requires the attendance of the external auditor at the Company's Annual General Meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Principle 7 – Recognise and manage risk

The Company has adequate policies in relation to risk management, compliance and internal control systems. The Company's 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.

The Managing Director and the Company Secretary are responsible to the Board for the Company's system of internal control and risk management.

Consistent with the requirements of ASX CGC 4 & 7, the Managing Director is required to state to the Board in writing that the financial statements of the Group present a true and fair view, in all material respects, of the Group's financial position and operational results and are in accordance with the relevant accounting standards and the appropriate disclosure of all information required by statute. Additionally, the Managing Director is required to state in writing that this statement is founded on a sound system of risk management and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

A risk management policy has been approved by the Board. Full details of the Company's risk management policy can be obtained from the principal place of business.

In fulfilling their duties, the directors may obtain independent professional advice at the Company's expense.

Principle 8 – Remunerate fairly and responsibly

The Council states that the Company should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

The Board has not established a remuneration committee at this point in the Company's development. It is considered that the size of the Board along with the level of activity of the Company renders this impractical as the full Board considers in detail all of the matters for which the directors are responsible.

The Board is currently made up of three non-executive directors. The remuneration structure specific to non-executive directors is contained in the remuneration in this annual report as required by the Corporations Act 2001. The fees payable to non-executive directors is currently capped at A$200,000 per annum in total.

CHAIRMAN'S LETTER

Dear Shareholder,

Whilst pursuing commercialisation and development opportunities for the ShieldLiner™ technology was the primary focus of the Group during the financial year, limited working capital and volatile market conditions did not allow for such commercialisation and development opportunities to crystallise into any formal contractual arrangements being entered into.

The financial year ended 30 June 2012 was a year of consolidation for your Company. On 10 February 2012, the Company was successfully reinstated to official quotation on the ASX largely through the issue of 1,650,000,000 shares and 1,000,000,000 options for the conversion of convertible loan notes to investors, directors and their related parties. These transactions were subject to shareholder approval which was obtained at the Company's Annual General Meeting of shareholders for the years ended 30 June 2009 and 30 June 2010 on 10 October 2011.

The Company entered into agreements with certain non-related creditors with respect to the full and final settlement of outstanding liabilities. During the year, an amount of $235,331 was forgiven by these various parties as a consequence of these agreements. Accordingly, this amount has been recognised as other income for the financial year.

There were several changes to the composition of the Board during the year with Mark Jenkins and John Phillips stepping down as Chairman and Non-Executive Director respectively. I was appointed as Chairman and Keith Bowker was appointed as Non-Executive Director and Company Secretary.

The Group will continue to pursue commercialisation and development opportunities with a focus on entering into value adding arrangements in relation to the principal asset in the ShieldLiner™ technology.

Patrick Corr
Chairman

DIRECTORS' REPORT

The directors of Vortex Pipes Limited (the Company) submit herewith the annual report of the Company and its controlled entity (the Group) for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the Directors

The names and particulars of directors of the Company during or since the end of the financial year are:

Patrick Corr LLB (Chairman)

Patrick Corr is a Barrister & Solicitor of the Supreme Court of Western Australia and specialises in laws regulating companies and securities in Australia. He also has considerable experience in the management and direction of private, public and ASX listed companies. Mr Corr's management and legal experience extends to a range of industries including IT, software and services and the mineral and natural resources industry in Australia and foreign jurisdictions, in particular the United Kingdom and various African countries.

Trevor Gosatti (Managing Director)

Mr Gosatti is a founding director of Vortex Pipes Limited. He has over 25 years' experience in all aspects of civil contracting operations, including administration and management. He is also Managing Director of Premium Pipe Services Pty Ltd, a wholly owned subsidiary of Vortex Pipes Limited. He is a member of the Australian Institute of Company Directors, a current Board member and past president of the Civil Contractors Federation (WA Branch), a member of the National Board of the Civil Contractors Federation, an Alternate Director of the Skills DMC Industry Skills Council Board, a member of the Civil Construction Industry Sector of the Skills DMC Industry Skills Council, Chairman of the Civil Construction Training Package Working Party of the Skills DMC Industry Skills Council, and a Western Australian Councillor and current Australian Chairman for the Australasian Society for Trenchless Technology.

Santino Di Giacomo B Bus, CA, CPA, FINSA (Non-Executive Director)

Mr Di Giacomo qualified as a Chartered Accountant in 1984 with Ernst & Young, and subsequently worked in the Chairman's office of Mr Robert Holmes-a-Court's International Bell Group Ltd, as assistant to the Finance Director.
In 1988, he joined the international pharmaceutical group, Cortecs International Ltd and Provalis PLC. During his 12 year tenure with the UK based Provalis Group (listed on the LSE, NASDAQ and ASX), Mr Di Giacomo held a number of senior international executive positions (including Director of Corporate Development) and was also responsible for the Group expansion and capital raising activities. He was also a key figure in the Group's strategic and corporate restructuring and international expansion including capital raisings (NASDAQ and the LSE), the capture of new intellectual property and major health care and licensing contracts. Mr Di Giacomo was a founder of Advance Healthcare Group Ltd (ASX: AHG). Advance Healthcare Group Ltd managed a unique and innovative medication management and supply business, Pharmeasy, together with its well established pharmaceutical and medical surgical wholesale distribution business with Australian turnover in excess of $100 million.

Keith Bowker BCom, CA (Non-Executive Director)

Mr Bowker is a member of the Institute of Chartered Accountants and is a founding director of Somerville Corporate, a corporate advisory firm which specialises in providing financial reporting and company secretarial services to public companies.

Mark Jenkins BCom, Grad Dip (Bus)

Mr Jenkins has over 20 years' experience in consulting, operational/financial management and business development in professional Chartered Accountancy firms, investment banking, government agencies and public companies. He joined the Board in 2008 and resigned during the year.

Mr John Phillips BE, MEng Sc

Mr Phillips has 40 years' experience as a civil engineer on major infrastructure works. He was a member of the Board of GHD Engineers for 25 years and Chairman for 4 years. He is a member of the National Board of the Centre of Engineering, Leadership and Management and a Board member of the WA Construction Industry Redundancy Fund. He joined the Board in 2008 and resigned during the year.

The above named directors held office during the whole of the financial year and since the end of the financial year except for:

- Patrick Corr – appointed 7 March 2012
- Keith Bowker – appointed 12 March 2012
- Mark Jenkins – resigned 12 March 2012
- John Phillips – resigned 7 March 2012

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Patrick Corr	Datamotion Asia Pacific Limited	March 2010 – December 2010
Santino Di Giacomo	APAC Coal Limited	Since June 2007
	Australian Natural Proteins Limited	Since December 2006
	Consolidated Capital Investments Limited	Since December 2009
	Pallane Medical Limited	Since October 2009

Except for Patrick Corr and Sam Di Giacomo, no other directors have held other directorships in ASX listed companies during the past 3 years.

Directors' shareholdings

The following table sets out the current director's relevant interest in shares and options in shares of the Company as at the date of this report:

Directors	Fully paid ordinary shares Number	Share options Number
Patrick Corr	-	-
Trevor Gosatti	45,630,940	-
Santino Di Giacomo	13,861,090	-
Keith Bowker	-	-

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report of this Directors' report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Share options granted to Directors and senior management

During and since the end of the financial year, no options were granted to directors and senior management (2011: nil).

Company Secretary

Keith Bowker, *BCom, CA*

Mr Bowker, Chartered Accountant, held the position of company secretary of Vortex Pipes Limited at the end of the financial year. He joined Vortex Pipes Limited in 2012 and also holds the company secretary position at Elixir Petroleum Limited and Insured Group Limited.

Principal Activities

The Group's principal activities in the course of the financial year were the development and commercialisation of the ShieldLiner™ System.

Review of Operations

The Group incurred a net loss after tax for the year ended 30 June 2012 of $650,885 (2011: profit $220,399), a net cash outflow from operations of $429,869 (2011:$ 1,095,545) and a net asset position of $102,131 (2011: deficiency $1,461,367).

Whilst pursuing commercialisation and development opportunities for the ShieldLiner™ technology was the primary focus of the Group during the financial year, limited working capital and volatile market conditions did not allow for such commercialisation and development opportunities to crystallise into any formal contractual arrangements being entered into. Nonetheless, the Group will continue to pursue such opportunities with a focus on entering into value adding arrangements in relation to the ShieldLiner™ technology.

Changes in state of affairs

There were no significant changes in the state of affairs of the Group other than as referred to elsewhere in this Annual Report and in the accounts and notes attached thereto.

Subsequent Events

There has not been any completed matter or circumstance occurring subsequent to the end of the financial year 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 future financial years.

Future developments

The Group will continue to pursue its operating strategy to create shareholder value. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

Environmental regulations

The Group's activities to date have not been subject to any particular and significant environmental regulation under Laws of either the Commonwealth of Australia or a State or Territory of Australia.

Dividends

No dividends were paid or declared and the directors have not recommended the payment of a dividend.

Shares under option or issued on exercise of options

Details of unissued shares or interests under options as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Vortex Pipes Limited	1,000,000,000	Ordinary	$0.00125	25 October 2015

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the company or any other body corporate.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary, Mr Keith Bowker, and all officers of the Company and of any related body corporate against a liability incurred as such a Director, Secretary or 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 premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, 2 Board meetings were held.

	Board of Directors	
Directors	Eligible to Attend	Attended
Patrick Corr	1	1
Trevor Gosatti	2	2
Santino Di Giacomo	2	2
Keith Bowker	1	1
Mark Jenkins	2	2
John Phillips	1	-

Proceedings on behalf of the 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 purpose 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.

Non-audit services

The Company may decide from time to time to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 24 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 15 of the annual report.

Remuneration Report (Audited)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of the Group's key management personnel for the financial year ended 30 June 2012. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and Company performance
- remuneration of key management personnel
- bonuses and share-based payments granted as compensation for the current financial year
- key terms of employment contracts
- adoption of remuneration report by shareholders

Key management personnel

The directors and other key management personnel of the Group during or since the end of the financial year were:

- Mr Patrick Corr (Chairman) - appointed 7 March 2012
- Mr Trevor Gosatti (Managing Director)
- Mr Santino Di Giacomo (Non-Executive Director)
- Mr Keith Bowker (Non-Executive Director) - appointed 12 March 2012
- Mr Mark Jenkins (Chairman) - resigned 12 March 2012
- Mr John Phillips (Non-Executive Director) -resigned 7 March 2012

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

Remuneration policy

The Board as a whole is responsible for considering remuneration policies and packages applicable both to Board members and senior executives of the Company. The Board has not engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by the directors. Broadly, the Company's remuneration policy is to ensure that any remuneration package properly reflects the person's duties and responsibilities and that it is competitive in attracting, retaining and motivating people of the highest calibre. Further, the policy incorporates the following key criteria of good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive remuneration;
- transparency; and
- capital management.

Non-Executive directors

The remuneration of Non-Executive directors consists of directors' fees, payable in arrears. The total aggregate fee pool to be paid to directors (excluding Executive directors) is set at $200,000 per year. Remuneration of Non-Executive directors is based on fees approved by the Board of directors and is set at levels to reflect market conditions and encourage the continued services of the directors. Non-Executive directors do not receive retirement benefits but are able to participate in share-based incentive programmes in accordance with Company policy.

The Company's Non-Executive directors receive only fees for their services and the reimbursement of reasonable expenses. The Chairman and the Non-Executives receive remuneration of $20,000 per annum for their services except for Mr Keith Bowker. A monthly fee of $6,500 (exc. GST) is paid to Somerville Corporate Pty Ltd, a company related to Mr Bowker for financial reporting, company secretarial services and director fees.

Remuneration Report (Audited) (cont'd)

Executive pay

In order to preserve the Company's limited cash reserves, it was agreed to cease payments to the Managing Director as from 1 April 2012. For the year ended 30 June 2012, an amount of $126,667 was paid to Mr Trevor Gosatti or a related entity (2011: $200,000).

Relationship between the remuneration policy and company performance

Director remuneration is currently not linked to either long term or short term performance conditions. The Board feels that the terms and conditions of options and shares currently on issue to the directors are a sufficient, long term incentive to align the goals of the directors with those of the shareholders to maximise shareholder wealth, and as such, has not set any performance conditions for the directors of the Company. The Board will continue to monitor this policy to ensure that it is appropriate for the Company in future years.

The table below sets out summary information about the Group's earnings and movement in shareholder wealth for the five years to 30 June 2012:

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Revenue	251,613	1,138,469	318,697	2,675,538	2,829,080
Net (loss)/profit before tax	(650,885)	220,399	(1,517,958)	(2,683,919)	(2,600,353)
Net (loss)/profit after tax	(650,885)	220,399	(1,517,958)	(3,087,037)	(1,947,998)
Share price at start of year	$0.001	$0.001	$0.04	$0.010	$0.025
Share price at end of year	$0.001	$0.001	$0.001	$0.04	$0.010
Basic and diluted profit/(loss) per share	(0.0005)	$0.0024	$(0.0172)	$(0.0414)	$(0.0302)

Remuneration Report (Audited) (cont'd)

Remuneration of key management personnel

	Short-term employee benefits				Post-employment benefits	Share-based payment	
	Salary & fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	Options $	Total $
2012							
Directors							
Patrick Corr [1]	6,667	-	-	-	-	-	6,667
Trevor Gosatti [2]	126,667	-	-	-	-	-	126,667
Santino Di Giacomo	5,000	-	-	-	-	-	5,000
Keith Bowker [3]	-	-	-	26,000	-	-	26,000
Mark Jenkins [4]	-	-	-	-	-	-	-
John Phillips [5]	-	-	-	-	-	-	-
	138,334	-	-	26,000	-	-	164,334
2011							
Directors							
Mark Jenkins	40,000	-	-	-	-	-	40,000
John Phillips	20,000	-	-	-	-	-	20,000
Trevor Gosatti	200,000	-	-	-	-	-	200,000
Santino Di Giacomo	23,334	-	-	-	-	-	23,334
	283,334	-	-	-	-	-	283,334

(1) Appointed 7 March 2012.
(2) In order to conserve the Company's limited cash reserves, it was agreed to cease payments to the Managing Director as from 1 April 2012.
(3) Appointed 12 March 2012. Amounts in 'Other' represent a monthly fee of $6,500 (exc. GST) paid to Somerville Corporate Pty Ltd, a company related to Mr Bowker for financial reporting, company secretarial services and director fees.
(4) Resigned 12 March 2012.
(5) Resigned 7 March 2012.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Bonuses and share-based payments granted as compensation for the current financial year

Bonuses

No bonuses were paid to key management personnel during the financial year (2011: nil).

Incentive share-based payments arrangements

During the financial year, there were no share-based payment arrangements in existence (2011: nil).

No shares were issued during the financial year to directors or key management personnel as a result of exercising remuneration options.

Remuneration Report (Audited) (cont'd)

Key terms of employment contract

Remuneration and other terms of employment for the Managing Director and other key management personnel are formalised in individual contracts of employment. The principal components of this contract of employment are as follows:

Trevor Gosatti –Managing Director

- Term of agreement – on-going commencing 1 January 2007.
- Base salary, inclusive of superannuation, for the year ended 30 June 2012 was to be $200,000 (2011: $200,000). In order to conserve the Company's limited cash reserves, it was agreed to cease payments to the Managing Director from 1 April 2012, and accordingly he received $126,667 this financial year.
- Agreement can be terminated by 3 months' notice or through mutual agreement.

Adoption of remuneration report by shareholders

The adoption of the remuneration report for the financial year ended 30 June 2011 was put to the shareholders of the Company at the Annual General Meeting (AGM) held on 23 January 2012. All proxies received were in favour of the resolution and the resolution was passed without amendment on a show of hands. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This is the end of the audited remuneration report.

This Directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors

Trevor Gosatti
Managing Director

Perth, 28 September 2012

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF VORTEX PIPES LTD

In relation to the independent audit for the year ended 30 June 2012, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.

(ii) No contraventions of any applicable code of professional conduct.

Pitcher Partners Corporate & Audit (WA) Pty Ltd.

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

MARK ENGLISH
Executive Director
28 September 2012

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
VORTEX PIPES LIMITED AND ITS CONTROLLED ENTITY

Report on the Financial Report

We have audited the accompanying consolidated financial report of Vortex Pipes Limited (the "Company"), and its controlled entity (the "Group") which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the consolidated financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the consolidated financial report that gives a true and fair view 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 Group'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 consolidated financial report.

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

Independence

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

PITCHER PARTNERS
PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
VORTEX PIPES LIMITED AND ITS CONTROLLED ENTITY

Opinion

In our opinion:

(a) the consolidated financial report of Vortex Pipes Limited and its controlled entity is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 3.

Emphasis of Matter

Without further modifying our opinion, we draw attention to Note 3.3 to the consolidated financial report which indicates that the Group incurred a net loss of $650,885 during the year ended 30 June 2012, and as of that date, the Group's net current assets of $3,077 and net assets of $102,131. These conditions, along with other matters as set forth in Note 3.3, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 14 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Vortex Pipes Limited and its controlled entity for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

Pitcher Partners Corporate & Audit (WA) Pty Ltd.

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

MARK ENGLISH
Executive Director

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, after taking into consideration the specific matters in Note 3.3 to the financial statements, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 3 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Trevor Gosatti
Managing Director

Perth, 28 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2012

	Notes	2012 $	2011 $
Continuing operations			
Revenue	5	-	32,938
Other income	5	251,613	1,105,531
Cost of sales of goods		-	(11,137)
Research and development costs, materials and consultants		-	(401)
Core technology, patent costs and intangibles amortisation		-	(2,106)
Directors' fees, salaries, superannuation and consulting costs		(138,334)	(283,334)
Depreciation expenses		(31,257)	(56,888)
Public company costs, fees, share registry, shareholder costs		(36,241)	(385,189)
Occupancy costs		(33,428)	(37,433)
Legal fees		(27,933)	(35,751)
Audit fees		(98,536)	(35,291)
Insurances		(24,825)	(37,586)
Interest expenses		(15,017)	(93,849)
Other expenses from ordinary activities		(496,927)	(24,105)
(Loss)/profit before tax		(650,885)	135,399
Income tax	7	-	-
(Loss)/profit for the year from continuing operations	6	(650,885)	135,399
Discontinued operations			
Profit for the year from discontinued operations	27	-	85,000
(Loss)/profit for the year		(650,885)	220,399
Other comprehensive (expense)/income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (expense)/income for the year		(650,885)	220,399
(Loss)/profit attributable to:			
Owners of the Company		(650,885)	220,399
Non-controlling interests		-	-
		(650,885)	220,399
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(650,885)	220,399
Non-controlling interests		-	-
		(650,885)	220,399
(Loss)/earnings per share			
From continuing and discontinuing operations			
Basic and diluted (cents per share)	8	(0.0005)	0.0024
From continuing operations			
Basic and diluted (cents per share)	8	(0.0005)	0.0009

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 23 to 46.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Notes	2012 $	2011 $
Current assets			
Cash and cash equivalents	21	214,233	649,412
Trade and other receivables	9	7,361	14,558
Total current assets		221,594	663,970
Non-current assets			
Plant and equipment	10	99,054	137,682
Intangible assets	11	-	-
Total non-current assets		99,054	137,682
Total assets		320,648	801,652
Current liabilities			
Trade and other payables	12	178,370	457,367
Other financial liabilities	13	40,147	1,805,652
Total current liabilities		218,517	2,263,019
Total liabilities		218,517	2,263,019
Net assets/(deficiency)		102,131	(1,461,367)
Equity			
Issued capital	14	9,022,123	7,370,837
Reserves	15	563,097	-
Accumulated losses		(9,483,089)	(8,832,204)
Total equity/(deficiency)		102,131	(1,461,367)

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 23 to 46.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2012

	Share Capital $	Option Premium Reserve $	Accumulated losses $	Total $
Balance at 1 July 2010	7,357,286	121,374	(9,173,977)	(1,695,317)
Comprehensive income for the year				
Profit for the year	-	-	220,399	220,399
Total comprehensive income for the year	-	-	220,399	220,399
Issue of shares	13,551	-	-	13,551
Transfer to share capital upon option expiry	-	(121,374)	121,374	-
Balance at 30 June 2011	7,370,837	-	(8,832,204)	(1,461,367)
Balance at 1 July 2011	7,370,837	-	(8,832,204)	(1,461,367)
Comprehensive expense for the year				
Loss for the year	-	-	(650,885)	(650,885)
Total comprehensive expense for the year	-	-	(650,885)	(650,885)
Issue of shares	1,650,000	-	-	1,650,000
Recoupment of share issue costs	1,286	-	-	1,286
Recognition of share-based payments	-	563,097	-	563,097
Balance at 30 June 2012	9,022,123	563,097	(9,483,089)	102,131

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 23 to 46.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2012

	Notes	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		-	32,938
Payments to suppliers and employees		(432,648)	(1,042,514)
Interest received		14,464	236
Interest paid		(11,685)	(86,205)
Net cash used by operating activities	21	(429,869)	(1,095,545)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		4,818	535,206
Net cash generated by investing activities		4,818	535,206
Cash flows from financing activities			
Proceeds from issues of shares		-	13,551
Proceeds from borrowings		-	1,650,000
Repayment of loans		(10,128)	(464,092)
Net cash (used by)/generated by financing activities		(10,128)	1,199,459
Net (decrease)/increase in cash and cash equivalents		(435,179)	639,120
Cash and cash equivalents at the beginning of the year		649,412	10,292
Cash and cash equivalents at the end of the year	21	214,233	649,412

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 23 to 46.

1. General information

Vortex Pipes Limited (the Company) is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the corporate directory of the annual report. The principal activity in the course of the financial year was the development and commercialisation of the ShieldLiner™ System.

2. Application of new and revised Accounting Standards

2.1. Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

2. Application of new and revised Accounting Standards (cont'd)

2.2. Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset.

2. Application of new and revised Accounting Standards (cont'd)

2.3. Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurements' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013

2. Application of new and revised Accounting Standards (cont'd)

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

Apart from AASB 10 and AASB 11, the above mentioned new Standards and Interpretations are not expected to have a material impact on the Group's consolidated financial statements.

3. Significant accounting policies

3.1. Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 28 September 2012.

3.2. Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the consolidated financial statements:

3.3. Going concern basis

The consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the year ended 30 June 2012 of $650,885 (2011: profit $220,399), and a net cash outflow from operations of $429,869 (2011: $1,095,545). At 30 June 2012, the Group has net current assets of $3,077 (2011: liabilities $1,599,049) and net equity of $102,131 (2011: deficiency $1,461,367).

3. Significant accounting policies (cont'd)

3.3. Going concern basis (cont'd)

The Group's ability to continue as a going concern and pay its debts as and when they fall due is dependent upon the following:

a) the Group completes a placement of shares, up to the current maximum amount of 15% of the issued capital, within the next three months;
b) the non-executive director's waiving any fees or payments for their services until the Group is in a position to pay the fees;
c) the monthly company secretarial and accounting fees to Somerville Corporate Pty Ltd, a related entity of Mr Keith Bowker, waiving their fees and payments until the Group's in a position to pay the fees; and
d) the non-executive directors providing loan funds to the Group, in the event the Group has not raised the relevant equity by way of a placement of shares, so that the Group has funds to pay its creditors and debts.

The Directors have reviewed the business outlook and cash flow forecasts after taking into account the above matters and are of the opinion that the use of the going concern basis of accounting is appropriate as the Directors believe the Group will achieve the matters set out above and be able to pay its debts as and when they fall due.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets nor to the amounts of recorded liabilities that might be necessary should the Group be unable to continue as a going concern.

3.4. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entity controlled by the Company (its subsidiary). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expense of subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(a) Intangibles

Patents, trademarks, core technologies and licences

Patents, trademarks, core technologies and licences are recorded at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis over their estimated useful lives of 20 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

(b) Revenue recognition

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

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. Revenue is recognised for the major business activities as follows:

Sale of goods
Revenue from the sale of goods is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest revenue
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Construction and installation contracts
Revenue from construction and installation contracts is recognised using the percentage of completion method, based primarily on contract costs incurred to date, compared to estimated overall contract costs.

Where a loss is expected to occur it is recognised immediately and is made for both work in progress completed to date and for future work on the contract.

(c) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(d) Foreign currencies

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise.

(e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

3. Significant accounting policies (cont'd)

(f) Share-based payments

Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. Significant accounting policies (cont'd)

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(h) Plant and equipment

Plant, equipment, vehicles and other fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant, equipment, vehicles and other fixed assets. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The depreciation rates used for each class of asset for the current period are as follows:

- Plant and equipment 5% - 60%
- Motor vehicles 20% - 25%
- Furniture, fittings and office equipment 25% - 40%

Asset held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(i) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit and loss.

3. Significant accounting policies (cont'd)

Classification and Subsequent Measurement

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 subsequently measured at amounts due less provision for doubtful debts.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

(j) Goods and services tax

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

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

(k) Research and Development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, after considering its technical and commercial feasibility, be completed and generate future economic benefits and its costs can be measured reliably. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, other short-term highly liquid investments with original maturities of three (3) months or less, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(m) Impairment

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. Significant accounting policies (cont'd)

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Tests are conducted annually by the Company to determine whether the carrying value of Technology rights and capitalised patent expenditure has suffered any impairment

(n) 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.

(o) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares.

(p) Comparative amounts

Where necessary, comparative figures have been reclassified and repositioned for consistency with current year disclosures.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Carrying value of Technology rights and capitalised patent expenditure

Tests are conducted annually by the Company to determine whether the carrying value of Technology rights and capitalised patent expenditure has suffered any impairment, in accordance with the accounting policy stated in notes 3(a) and 3(m). At 30 June 2009, the Group fully provided for the remaining carrying values of all intangible assets, owing to the significant uncertainty for future operations. No adjustment to those provisions was made at 30 June 2012 (2011: nil).

5. Revenue

	2012 $	2011 $
Operating Activities		
Sales	-	32,938
Other Income		
Interest received	14,464	237
Debt forgiveness (i)	235,331	879,213
Profit on sale of assets	-	180,919
Other	1,818	45,162
	251,613	1,105,531

(i) The Company entered into agreements with a majority of its creditors (including directors and director related entities) with respect to the full and final settlement of outstanding liabilities. During the year ended 30 June 2012, an amount of $235,331 was forgiven by these various parties as a consequence of these agreements (2011: $879,213).

6. Loss for the year

Loss for the year has been arrived at after charging:	2012 $	2011 $
Research and development expenditure	-	401
Audit fees	98,536	35,291
Operating lease – minimum lease payments	40,147	55,197
Loss on disposal of plant and equipment	2,824	45,162
Share based payments (refer note 16)	463,097	-

7. Income taxes

Income tax recognised in profit or loss	2012 $	2011 $
Current tax	-	-
Deferred tax	-	-
	-	-

The income tax expense for the year can be reconciled to the accounting profit/(loss) as follows:

(Loss)/profit before tax	(650,885)	220,399
Income tax expense/(benefit) calculated at 30% (2011: 30%)	(195,266)	(66,120)
Effect of expenses that are not deductible on determining taxable profit/(loss)	147,647	11,894
Other deductible items	(70,600)	23,685
Utilisation of prior year losses	-	30,541
Effect of unused tax losses not recognised as deferred tax assets	118,219	-
Income tax expense in consolidated statement of comprehensive income	-	-

The tax rate used for the 2012 and 2011 tax reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Tax losses

Unused tax losses for which no deferred tax asset has been recognised have not been disclosed as the future recovery of those losses is subject to the Group satisfying the requirements imposed by the regulatory taxation authorities. The benefits of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

As at 30 June 2012 the Group had carried forward losses of $5,427,962 (2011: $5,031,857).

Due to the substantial changes in ownership during the year it is unlikely that the above tax losses will satisfy the required continuity of ownership test in order for the losses to be carried forward to future years.

8. (Loss)/earnings per share

	2012 $	2011 $
Basic (loss)/earnings per share	Cents per share	Cents per share
From continuing operations	(0.0005)	0.0015
From discontinued operations	-	0.0009
Total basic (loss)/earnings per share	(0.0005)	0.0024

Basic (loss)/earnings per share

The (loss)/profit and weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share are as follows:

(Loss)/profit for the year from continuing operations	(650,885)	135,399
Profit for the year from discontinued operations	-	85,000
(Loss)/profit for the year	(650,885)	220,399
	No.	No.
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	1,229,789,966	90,375,296

Diluted (loss)/earnings per share

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share.

	No.	No.
Unlisted options exercisable at $0.00125 on or before 25 October 2015	1,000,000,000	-

9. Trade and other receivables

Trade debtors	386,847	396,223
Provision for impairment (i)	(386,847)	(386,847)
Sundry debtors and prepayments	7,361	5,182
	7,361	14,558

(i) As at 30 June 2012, current trade receivables of the Group with a value of $386,847 (2011: $386,847) were impaired. The amount of the provision was $386,847 (2011: $386,847). The impairment relates to a single trade debtor and although it is considered that a portion, of that debt will be recovered, a provision has been made because of the uncertainty of the matter.

Trade receivables past due but not impaired

There were no other trade receivables past due but not impaired (2011: nil).

Fair value and credit risk

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

10. Plant and equipment

	2012 $	2011 $
Plant and equipment at cost	338,791	338,791
Accumulated depreciation and impairment	(329,419)	(325,239)
	9,372	13,552
Motor vehicles at cost	231,004	238,374
Accumulated depreciation	(142,978)	(121,550)
	88,026	116,824
Office equipment at cost	63,883	63,883
Accumulated depreciation	(62,958)	(60,166)
	925	3,717
Office furniture at cost	16,803	16,803
Accumulated depreciation	(16,072)	(13,214)
	731	3,589
	99,054	137,682

Movement in Carrying Amounts:

	Plant & Equipment $	Motor Vehicles $	Office Furniture $	Office Equipment $	Total $
Carrying amount at 30 June 2010	45,487	154,406	5,684	6,352	211,929
Disposals	(9,910)	(6,927)	(523)	-	(17,360)
Depreciation expense	(22,025)	(30,655)	(1,572)	(2,635)	(56,888)
Carrying amount at 30 June 2011	13,552	116,824	3,589	3,717	137,682
Disposals	-	(7,370)	-	-	(7,370)
Depreciation expense	(4,179)	(21,428)	(2,856)	(2,794)	(31,257)
Carrying amount at 30 June 2012	9,372	88,026	925	731	99,054

11. Intangible assets

	2012 $	2011 $
Technology rights at cost	500,000	500,000
Capitalised patent expenditure at cost	548,022	548,022
Accumulated amortisation – technology rights and patent	(425,759)	(425,759)
Amount written off – technology rights and patent	(622,263)	(622,263)
	-	-
Licence and know-how at cost	400,100	400,100
Accumulated amotisation – licence	(140,000)	(140,000)
Amount written off – licence	(260,100)	(260,100)
	-	-
Goodwill at cost	49,998	49,998
Amount written off – goodwill	(49,998)	(49,998)
	-	-

12. Trade and other payables

	2012 $	2011 $
Current		
Unsecured trade creditors	26,622	89,424
Sundry creditors and accruals	151,748	367,943
	178,370	457,367

13. Financial liabilities

Current – secured		
Hire purchase loans (a) – due within one year	40,147	55,197
Current - unsecured		
London Wall Investments Pty Ltd	-	455
Carmichael Corporate Pty Ltd (b)	-	1,650,000
Directors Loan Notes (c)	-	100,000
	40,147	1,805,652

As a result of the resolutions passed at the Annual General Meeting for the financial years ended 30 June 2009 and 30 June 2010 held on 10 October 2011, the loan notes issued under the agreement with Carmichael Corporate Pty Ltd totaling $1.65 million were converted into fully paid ordinary shares (1,550,000,000 @ $0.001) and options (1,000,000,000 @ $0.0001) of the Company for the services Carmichael Corporate Pty Ltd provided as per mandate dated 13 May 2011 (refer note 16). In addition to this, shareholder approval was also obtained for the conversion of the directors loan notes outstanding at 30 June 2011 of $100,000 into fully paid ordinary shares of the Company at the deemed issue price of $0.001 per share. In all, this has resulted in an additional issue of 1,650,000,000 shares and 1,000,000,000 options being issued during the year.

(a) Hire Purchase Loan

The hire purchase loan is secured over the specific item of plant and equipment. The hire purchase loan has been paid out on the disposal of the vehicle subsequent to the end of the financial year.

(b) Carmichael Corporate Pty Ltd

The amount represents funds received pursuant to an agreement with Carmichael Corporate Pty Ltd for the issue of securities and convertible loan notes. Conversion of the convertible loan notes to securities was subject to shareholder approval, which was obtained at the Annual General Meeting of shareholders for the years' ended 30 June 2009 and 30 June 2010 held on 10 October 2011. The convertible loan notes were converted to securities during the year.

(c) Directors Loan Notes

The amount represents funds settled with the Company directors (and nominated parties) who are related parties pursuant to an agreement with Carmichael Corporate Pty Ltd for the issue of securities and convertible loan notes. Conversion of the convertible loan notes to securities was subjected to shareholder approval, which was obtained at the Annual General Meeting of shareholders for the years ended 30 June 2009 and 30 June 2010 held on 10 October 2011. The convertible loan notes were converted to securities during the year.

(d) Non cash transactions

As neither of the above transactions involved a cash flow, they have been excluded from the consolidated statement of cash flows.

14. Issued capital

	2012 $	2011 $
1,753,888,901 fully paid ordinary shares (2011: 103,888,901)	9,022,123	7,370,837

Fully paid ordinary shares	2012 No.	2012 $	2011 No.	2011 $
Balance at beginning of year	103,888,901	7,370,837	90,338,171	7,357,286
Shares issued for conversion of convertible loan notes on 26 Oct 2011	1,650,000,000	1,650,000	-	-
Shares issued at $0.001 per share on 30 June 2011	-	-	13,550,730	13,551
Recoupment of share issue costs	-	1,286	-	-
Balance at end of year	1,753,888,901	9,022,123	103,888,901	7,370,837

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

Share options on issue

Share options issued by the Company carry no rights to dividends and no voting rights.

As at 30 June 2012, the Company has 1,000,000,000 share options on issue (2011: nil) exercisable on a 1:1 basis for 1,000,000,000 shares (2011: nil) at an exercise price of $0.00125 cents. The options expire on 25 October 2015. During the year no options were converted into shares (2011: nil).

15. Reserves

	2012 $	2011 $
Option reserve	-	121,374
Transfer to accumulated losses upon expiry of option	-	(121,374)
Share-based payments	563,097	-
Balance at end of the financial year	563,097	-

The reserve arises on the grant of share options to executives, employees, consultants and advisors. Amounts are transferred out of reserve and into accumulated losses when options expire or lapse. Further information about share-based payments is made in note 17 to the financial statements.

16. Financial instruments

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2011.

The Group is not subject to any externally imposed capital requirements.

Financial risk management objectives

The Board of directors provides services to business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include interest rate risk, liquidity risk and credit risk.

16. Financial instruments (cont'd)

The Group seeks to minimise the effects of these risks by making use of credit risk policies and future cash requirements. These are approved by the Board of directors and are reviewed on a regular basis.

Interest rate risk

The Group's exposure to interest rate risk is shown in the table below:

	2012 $	2011 $
Financial assets		
Cash and cash equivalents	214,233	649,412
Trade and other receivables	7,361	14,558
	221,594	663,970
Financial liabilities		
Trade and other payables	178,370	457,367
Other financial liabilities (refer note 13)	40,147	55,197
	218,517	512,564

Interest rate sensitivity analysis

An increase of 50 basis points in interest rates (all other variables remaining constant) would have decreased the Group's loss by $1,071 (2011: $3,247). Where interest rates decreased, there would be an equal and opposite impact on the loss.

Fair value of financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the consolidated financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 3.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations with financial liabilities. Ultimate responsibility for liquidity risk management rests with the Board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities by continuously monitoring forecast and actual cash flows, identifying when further capital raising initiatives are required. The Group presently has no significant source of operating income; it is reliant on equity contributions and cooperation of creditors and lenders to continue as a going concern.

		Contractual cash flows			
	Carrying amount $	<6 months $	>6-12 months $	>12 months $	Total contractual cash flows $
2012					
Financial assets					
Cash and cash equivalents	214,233	214,233	-	-	214,233
Trade and other receivables	7,361	-	7,361	-	7,361
	221,594	214,233	7,361	-	221,594
Financial liabilities					
Trade and other payables	178,370	93,604	-	84,766	178,370
Other financial liabilities	40,147	40,147	-	-	40,147
	218,517	133,751	-	84,766	218,517
2011					
Financial assets					
Cash and cash equivalents	649,412	649,412	-	-	649,412
Trade and other receivables	14,558	-	14,558	-	14,558
	663,970	649,412	14,558	-	663,970
Financial liabilities					
Trade and other payables	457,367	125,000	332,367	-	457,367
Other financial liabilities	1,805,652	1,650,000	155,652	-	1,805,652
	2,263,019	1,775,000	488,019	-	2,263,019

16. Financial instruments (cont'd)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group's bank has a "AA-" long term issuer rating by Standards & Poors (S&P).

Impairment losses

As at 30 June 2012 the Group has recorded an impairment of $386,847 (2011:$386,847) against its trade and other receivables. The Group considers $123,234 attributable to direct labour charges to still be recoverable. The recoverability of the remaining amount of $263,613 is considered less likely due to variations to the contract (refer note 9). This debt is to one debtor and is considered a one-off risk.

At risk amounts are as follows:

Financial assets	2012 $	2011 $
Cash and cash equivalents	214,233	649,412
Trade and other receivables	7,361	14,558
	221,594	663,970

Fair value measurements

The carrying amount of financial assets and financial liabilities recorded in the consolidated financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 3 to the financial statements.

17. Share-based payments

Share-based payments are granted at the discretion of the Board to align the interests of shareholders and key staff, key consultants and advisors.

Each option issued converts into one ordinary share of Vortex Pipes Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

On 26 October 2011, 1,000,000,000 options were issued for the conversion of convertible loan notes to Carmichael Corporate Pty Ltd for the services as stated in the mandate dated 13 May 2011. These options have no vesting conditions and are exercisable at $0.00125 cents. The options will expire on 25 October 2015. The fair value of the options granted during the period was $0.00056. Options were priced using the Binomial Model. The expected life of the Options is four (4) years. The expected volatility is based on the historical share price of the Company for the four year period up to suspension on the ASX. The total value of the options was $563,097 which included $100,000 in relation to forgiveness of the liability (2011: nil).

Inputs for measurement of grant date fair values

	1,000,000,000 options
Grant Date share price	$0.001
Option Exercise Price	$0.00125
Expected volatility	80%
Option life	4 years
Dividend yield	-
Risk-free interest rate	4.035%
Grant Date	26 October 2011
Exercise Date	25 October 2015

17. Share-based payments (cont'd)

Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year.

	2012		2011	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the year	-	-	1,000,000	0.20
Granted during the year	1,000,000,000	0.00125	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	(1,000,000)	0.20
Balance at end of the year	1,000,000,000	0.00125	-	-
Exercisable at end of the year	1,000,000,000	0.00125	-	-

Share options exercised during the year
No share options were exercised during the financial year (2011: nil).

Share options outstanding at the end of the year
The share options of 1,000,000,000 outstanding at the end of the year had a weighted average exercise price of $0.00125 (2011: nil) and a weighted average remaining contractual life of 1,461 days (2011: nil).

18. Subsidiary

Entity	Incorporation	2012 Ownership	2011 Ownership
Premium Pipe Services Pty Ltd	Australia	100%	100%

	2012 $	2011 $
Investment in controlled entity	1,162,362	1,162,362
Provision for impairment	(1,162,362)	(1,162,362)
	-	-

19. Key management personnel compensation

Details of key management personnel
The directors and other members of key management personnel of the Group during the year were:

Patrick Corr (Chairman), appointed 7 March 2012
Trevor Gosatti (Managing Director)
Keith Bowker (Non-Executive Director), appointed 12 March 2012
Santino Di Giacomo (Non-Executive Director)
Mark Jenkins (Chairman), resigned 12 March 2012
John Phillips (Non-Executive Director), resigned 7 March 2012.

19. Key management personnel compensation (cont'd)

Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the Company and the Group is set out below:

	2012 $	2011 $
Short- term employee benefits	138,334	283,334
Other benefits (i)	26,000	-
	164,334	283,334

(i) Financial reporting, company secretarial services and director fees of $26,000 (exc. GST) were paid to Somerville Corporate Pty Ltd, a company related to Mr Bowker. These services are provided on a month to month basis therefore there is no ongoing commitment.

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

The compensation of each member of the key management personnel of the Group is set out below:

	Short-term employee benefits				Post-employment benefits	Share-based payment	
	Salary & fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	Options $	Total $
2012							
Directors							
Patrick Corr [1]	6,667	-	-	-	-	-	6,667
Trevor Gosatti [2]	126,667	-	-	-	-	-	126,667
Santino Di Giacomo	5,000	-	-	-	-	-	5,000
Keith Bowker [3]	-	-	-	26,000	-	-	26,000
Mark Jenkins [4]	-	-	-	-	-	-	-
John Phillips [5]	-	-	-	-	-	-	-
	138,334	-	-	26,000	-	-	164,334
2011							
Directors							
Mark Jenkins	40,000	-	-	-	-	-	40,000
John Phillips	20,000	-	-	-	-	-	20,000
Trevor Gosatti	200,000	-	-	-	-	-	200,000
Santino Di Giacomo	23,334	-	-	-	-	-	23,334
	283,334	-	-	-	-	-	283,334

(1) Appointed 7 March 2012.
(2) In order to help conserve the Company's limited cash reserves, it was agreed to cease payments to the Managing Director as from 1 April 2012.
(3) Appointed 12 March 2012. Amounts in 'Other' represent a monthly fee of $6,500 (exc. GST) paid to Somerville Corporate Pty Ltd, a company related to Mr Bowker for financial reporting, company secretarial services and director fees.
(4) Resigned 12 March 2012.
(5) Resigned 7 March 2012.

20. Related party transactions

The immediate parent and ultimate controlling party of the Group is Vortex Pipes Limited.

Balances and transactions between the Company and its subsidiary, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	2012 $	2011 $
20.1. Loans to related parties		
Loans to subsidiary	2,504,224	2,456,546
Provision for impairment	(2,504,224)	(2,456,546)
	-	-

Loans are made by the parent entity, Vortex Pipes Limited, to its subsidiary for working capital purposes. The loans outstanding between the parent entity and its subsidiaries have no fixed date of repayment and are non-interest bearing.

20.2. Other related party transactions

On 1 December 2009, Z-Filter Pty Ltd (Z-Filter), a company associated with Mark Jenkins, assumed the lease of the premises located at 150-152 Vulcan Road, Canning Vale, WA, from Vortex Pipes Limited. At the same time, Z-Filter agreed to sub-lease a portion of the premises on a monthly basis to Vortex Pipes Limited. At the end of the reporting period, a total of $4,087 was owed by Vortex Pipes Limited to Z-Filter Pty Ltd (2011: $4,087).

Under an engagement letter dated 2 March 2012, Somerville Corporate Pty Ltd, a company related to Mr Bowker, agreed to provide financial reporting and company secretarial services to Vortex Pipes Limited for a monthly fee of $6,500 (exc. GST) and an annual fee of $78,000 (exc. GST). Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

Equity interests in related parties
Equity interests in subsidiary

Details of the percentage of ordinary shares held in subsidiary are disclosed in note 16 to the financial statements.

Transactions with key management personnel
Key management personnel compensation

Details of key management personnel compensation are disclosed in note 19 to the financial statements.

Key management personnel equity holdings

Fully paid ordinary shares of Vortex Pipes Limited

	Balance at 1 July No.	Acquired No.	Net other change (i) No.	Held on resignation No.	Balance at 30 June No.
2012					
Patrick Corr (1)	-	-	-	-	-
Trevor Gosatti	13,806,380	-	31,824,560	-	45,630,940
Santino Di Giacomo	-	8,000,000	5,861,090	-	13,861,090
Keith Bowker (2)	-	-	-	-	-
Mark Jenkins (3)	4,035,227	-	80,737,730	84,772,957	N/A
John Phillips (4)	1,600,001	-	15,898,210	17,498,211	N/A
2011					
Mark Jenkins	4,035,227	-	-	-	4,035,227
Trevor Gosatti	13,806,380	-	-	-	13,806,380
John Phillips	1,600,001	-	-	-	1,600,001
Santino Di Giacomo	-	-	-	-	-

(i) 134,321,590 shares were issued to directors and their related entities as approved by shareholders at the AGM held on 10 October 2011 for the conversion of Directors Loan Notes.
(1) Appointed 7 March 2012 (2) Appointed 12 March 2012 (3) Resigned 12 March 2012 (4) Resigned 7 March 2012

20.2. Other related party transactions (cont'd)

Share options of Vortex Pipes Limited

	Balance at 1 July No.	Acquired No.	Expired No.	Net other change No.	Balance at 30 June No.	Vested and exercisable No.
2012						
Patrick Corr [1]	-	-	-	-	-	-
Trevor Gosatti	-	-	-	-	-	-
Santino Di Giacomo	-	-	-	-	-	-
Keith Bowker [2]	-	-	-	-	-	-
Mark Jenkins [3]	-	-	-	-	-	-
John Phillips [4]	-	-	-	-	-	-
2011						
Mark Jenkins	1,000,000	-	-	(1,000,000)	-	-
Trevor Gosatti	-	-	-	-	-	-
John Phillips	-	-	-	-	-	-
Santino Di Giacomo	-	-	-	-	-	-

(1) Appointed 7 March 2012
(2) Appointed 12 March 2012
(3) Resigned 12 March 2012
(4) Resigned 7 March 2012

21. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows

	2012 $	2011 $
Cash and bank balances	214,233	649,412

(a) Reconciliation of (loss)/profit for the year to net cash flows from operating activities

(Loss)/profit for the year	(650,885)	220,399
Non-cash items		
Depreciation	31,257	56,888
Loss on disposal of plant and equipment	(2,824)	(226,080)
Share based payments	463,097	-
Debt forgiveness	(235,331)	(879,214)
	(394,686)	(828,007)
Movements in working capital		
(Increase) in prepayments	(2,179)	(5,183)
(Decrease) in trade and other payables	(33,004)	(262,355)
Net cash used in operating activities	(429,869)	(1,095,545)

(b) Non-cash transactions

During the current year, the Group entered into the following non-cash financing activities which are not reflected in the consolidated statement of cash flows:

- issue of 1,650,000,000 shares and 1,000,000,000 options for the conversion of convertible loan notes as indicated in note 13.

22. Contingent liabilities and contingent assets

The directors are not aware of any contingent liabilities and/or contingent assets as at 30 June 2012 (2011: nil).

23. Commitments

The Company has a lease commitment of $29,640 (2011: $58,140). The Company also disposed of a motor vehicle under hire purchase subsequent to the end of the year and hence no further commitment remains. At the date of this report $40,147 (2011: $55,197).

24. Remuneration of auditors

	2012 $	2011 $
Auditor of the Group		
Pitcher Partners Corporate & Audit (WA) Pty Ltd		
Audit and review of the financial statements	84,400	-
Crowe Horwath Perth		
Audit and review of the financial statements	14,136	35,291
	98,536	35,291

The auditor of Vortex Pipes Limited and its subsidiary is Pitcher Partners Corporate & Audit (WA) Pty Ltd, who were appointed at the 2011 Annual General Meeting held on 23 January 2012.

In addition fees were paid to Pitcher Partners (WA) Pty Ltd for taxation services of $5,000 (2011: nil) and fees were paid to Pitcher Partners Securities Pty Ltd for corporate advisory services of $2,500 (2011: nil).

25. Segment information

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Board of directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group operates primarily in development of the ShieldLiner™ System technology. The financial information presented in the consolidated statement of comprehensive income and the consolidated statement of financial position is the same as that presented to the chief operating decision maker.

Unless stated otherwise, all amounts reported to the Board of directors as the chief operating decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

26. Dividend

No dividend has been paid during the financial year and no dividend is recommended for the financial year.

27. Discontinued operations

During the year 2011, the Group disposed of its Quickpipes division, thereby discontinuing its operations in this business segment.

The sale of the dormant entity was made to a director, Mr Jenkins, for $85,000. As the entity did not have any assets, the Group recorded a profit of this amount. The sale value was satisfied through settlement of a portion of fees owed to Mr Jenkins.

Financial information relating to the discontinued operation to the date of disposal is set out on the next page.

27. Discontinued operations (cont'd)

The financial performance of the discontinued operation to the date of sale, was as follows:

	2012 $	2011 $
Revenue	-	-
Expenses	-	-
Profit/(loss) before income tax	-	-
Income tax expense	-	-
Profit/(loss) attributable to members of the parent entity	-	-
Profit on sale before income tax	-	85,000
Income tax expense	-	-
Profit on sale after income tax	-	85,000
Total profit after tax attributable to the discontinued operation	-	85,000
The net cash flows of the discontinued division, which have been incorporated into the consolidated statement of cash flows, are as follows:		
Net cash inflow/(outflow) from operating activities	-	-
Net cash inflow/(outflow) from investing activities	-	-
Net cash inflow/(outflow) from financing activities	-	-
Net cash generated by/(used in) the discontinued division	-	-

Gain on disposal of the Quickpipes division included in gain from discontinued operations per the consolidated statement of comprehensive income.

28. Events after the reporting period

There has not been any completed matter or circumstance occurring subsequent to the end of the financial year 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 future financial years.

29. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 3 for a summary of the significant accounting policies relating to the Group.

Statement of financial position	2012 $	2011 $
Current assets		
Cash and bank balances	214,120	646,061
Trade and other receivables	5,866	3,725
Total current assets	219,986	649,786
Non-current assets		
Plant and equipment	925	4,185
Total non-current assets	925	4,185
Total assets	220,911	653,971
Current liabilities		
Trade and other payables	89,375	159,582
Other financial liabilities	-	1,750,455
Total current liabilities	89,375	1,910,037
Total liabilities	89,375	1,910,037
Net assets/(deficiency)	131,536	(1,256,066)
Equity		
Issued capital	9,022,123	7,492,211
Reserves	563,097	-
Accumulated losses	(9,453,684)	(8,748,277)
Total equity/(deficiency)	131,536	(1,256,066)

Statement of comprehensive income		
Total (loss)/profit and comprehensive (expense)/income	(779,104)	470,536

30. Approval of financial statements

The consolidated financial statements were approved by the Board of directors and authorised for issue on 28 September 2012.

Additional securities exchange information as at 19 September 2012

Number of holders of equity securities

Ordinary share capital
1,753,888,901 fully paid ordinary shares are held by 661 individual shareholders.
All issued ordinary shares carry one vote per share and the right to dividends.

Unlisted options
1,000,000,000 unlisted options are held by 11 individual option holders.
Options do not carry a right to vote.

Distribution of holders of equity securities

	Fully paid ordinary shares	Unlisted options
1 – 1,000	6	-
1,001 – 5,000	28	-
5,001 – 10,000	120	-
10,001 – 100,000	319	-
100,001 and over	188	11
	661	11
Holding less than a marketable parcel	568	

Substantial shareholders

Name	Fully paid ordinary shares Number	Percentage of issued capital
Mount Street Investments Pty Ltd (The MJ Blake S/F A/C)	202,500,000	11.55%
Ouro Pty Ltd	200,000,000	11.40%
Ruck Pty Ltd	200,000,000	11.40%
Venus Anetac Pty Ltd (RGC Family A/C)	122,500,000	6.98%
Mikado Corporation Pty Ltd (JFC Super Fund A/C)	100,000,000	5.70%
Nefco Nominees Pty Ltd	100,000,000	5.70%
Peninsula Investments (WA) Pty Ltd	100,000,000	5.70%
	1,025,000,000	58.43%

Twenty (20) largest holders of quoted equity securities

Name	Fully paid ordinary shares Number	Percentage (%)
Mount Street Investments Pty Ltd (The MJ Blake S/F A/C)	202,500,000	11.55
Ouro Pty Ltd	200,000,000	11.40
Ruck Pty Ltd	200,000,000	11.40
Venus Anetac Pty Ltd (RGC Family A/C)	122,500,000	6.98
Mikado Corporation Pty Ltd (JFC Super Fund A/C)	100,000,000	5.70
Nefco Nominees Pty Ltd	100,000,000	5.70
Peninsula Investments (WA) Pty Ltd	100,000,000	5.70
London Wall Investments Pty Ltd (Jenkins Family A/C)	80,737,730	4.60
ACP Investments Pty Ltd	80,000,000	4.56
Mr Paul Gabriel Sharbanee (The Scorpion Fund A/C)	50,000,000	2.85
Mr Mathew Donald Walker	50,000,000	2.85
Must Properties Pty Ltd	40,000,000	2.28
Chartag Pty Ltd	33,220,664	1.89
Mrs Lucy Gosatti & Mr Michael Gosatti	20,060,000	1.14
Northerly Investments Pty Ltd	20,000,000	1.14
Candlestick Limited	20,000,000	1.14
Goldshore Investments Pty Ltd (M R Day Superfund A/C)	20,000,000	1.14
Sabreline Pty Ltd (JPR Investment A/C)	20,000,000	1.14
Mr Geoffrey John Fennell & Mrs Carmel Ann Fennell	20,000,000	1.14
Australian Trade Access Pty Ltd (ATA Super Fund A/C)	18,000,000	1.03
	1,497,018,394	**85.33**

Holders of options

	Number of options	Percentage (%)
Bluerise Holdings Pty Ltd (The Bluerise A/C)	187,500,000	18.75
Corr T F	187,500,000	18.75
Venus Anetac Pty Ltd (RGC Family A/C)	187,500,000	18.75
Ruck Pty Ltd	100,000,000	10.00
Gibraltar Resources Pty Ltd	90,000,000	9.00
Mount Street Investments Pty Ltd (The MJ Blake S/F A/C)	90,000,000	9.00
GAB Superannuation Fund Pty Ltd	50,000,000	5.00
ACP Investments Pty Ltd	40,000,000	4.00
Bayonet Investments Pty Ltd (Southpoint A/C)	40,000,000	4.00
Must Properties Pty Ltd	20,000,000	2.00
Northerly Investments Pty Ltd	7,500,000	0.75
	1,000,000,000	**100.00**

Company Secretary
Mr Keith Bowker

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