

# Millepede International Limited

ABN 84 095 821 971

## Appendix 4E Preliminary Final Report for the financial year ended 30 June 2010

This Preliminary Final Report is provided to the Australian Securities  
Exchange (ASX) under ASX Listing Rule 4.3A.

Current reporting period: 1 July 2009 to 30 June 2010

Previous corresponding period: 1 July 2008 to 30 June 2009

## Results for announcement to the market

| Percentage Change                                               |      | Amount |         |
|-----------------------------------------------------------------|------|--------|---------|
| Up/Down                                                         |      | %      | \$      |
| Revenue, Net Loss                                               |      |        |         |
| Revenue from ordinary activities                                | Down | 16%    | 390,143 |
| Loss from ordinary activities after tax attributable to members | Down | 75%    | 497,548 |
| Loss attributable to members                                    | Down | 75%    | 497,548 |
| Dividends (Distributions)                                       |      |        |         |

|                                                                 |      |           |            |
|-----------------------------------------------------------------|------|-----------|------------|
| Revenue from ordinary activities                                | up   | 24.2 % to | \$ 484,513 |
| Loss from ordinary activities after tax attributable to members | down | 7.3 % to  | 461,150    |
| Loss for the period attributable to members                     | down | 7.3 % to  | 461,150    |

No dividends have been paid or proposed in relation to the current year or prior year.

### Brief Explanation of Revenue and Net Loss

The increase in revenue has resulted from better economic conditions in the countries of operation .

The decrease in the loss has mainly resulted from lower administrative expenses.

The loss attributable to members equates to an basic and diluted earnings per share of 0.17 cents per share.

### Net tangible assets per security with the comparative figure for the previous corresponding period.

|                               |            |
|-------------------------------|------------|
| Current period                | 0.19 cents |
| Previous corresponding period | 0.39 cents |

Details of Entities Over Which Control Has Been Gained or Lost

Control was maintained over all other subsidiaries during the year. All foreign subsidiaries have been consolidated using International Financial Reporting Standards.

Information on Audit or Review

This preliminary final report is based on accounts to which one of the following applies.

The accounts are in the process of being audited or subject to review.

Description of dispute or qualification if the accounts have been audited or subjected to review.

N/A

Sign here:



Director

Date: 31 August 2010

Print name: Kee TANG



**MILLEPEDE INTERNATIONAL LIMITED**

**ABN 84 095 821 971**

**Annual report for the financial year ended  
30 June 2010**

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# Income statement for the financial year ended 30 June 2010

|                                                                  | Note | Consolidated     |                  | Company          |                  |
|------------------------------------------------------------------|------|------------------|------------------|------------------|------------------|
|                                                                  |      | 2010<br>\$       | 2009<br>\$       | 2010<br>\$       | 2009<br>\$       |
| <b>Continuing operations</b>                                     |      |                  |                  |                  |                  |
| Revenue                                                          | 5    | 484,513          | 390,143          | -                | -                |
| Cost of sales                                                    |      | (304,139)        | (226,933)        | -                | -                |
| Gross profit                                                     |      | 180,374          | 163,210          | -                | -                |
| Other income                                                     | 5    | 22,488           | 35,087           | 19,747           | 35,087           |
| Marketing expenses                                               |      | -                | (77)             | -                | -                |
| Occupancy expenses                                               |      | (35,794)         | (7,353)          |                  | (4,167)          |
| Administration expenses                                          |      | (614,086)        | (717,681)        | (265,512)        | (482,971)        |
| Depreciation expenses                                            |      | (14,132)         | (67,273)         | -                | -                |
| Net foreign exchange gains/(losses)                              |      |                  | 132,607          |                  | 234              |
| Provision for non-recoverability of loans to controlled entities |      | -                | -                |                  | (14,373)         |
| Provision for non-recoverability of loans to other entities      |      |                  | (20,536)         |                  | (20,536)         |
| Provision for non-recoverability of intellectual property        |      |                  | (15,532)         | -                | -                |
| Loss before tax                                                  | 6    | (461,150)        | (497,548)        | (245,765)        | (486,726)        |
| Income tax                                                       | 7    | -                | -                | -                | -                |
| <b>Loss for the year</b>                                         |      | <b>(461,150)</b> | <b>(497,548)</b> | <b>(245,764)</b> | <b>(486,726)</b> |
| <b>Loss per share</b>                                            |      |                  |                  |                  |                  |
| Basic (cents per share)                                          | 17   | 0.17             | 0.26             |                  |                  |

The Company's potential ordinary shares are not considered dilutive and accordingly basic loss per share is the same as diluted loss per share.

## Balance sheet as at 30 June 2010

|                                  | Note | Consolidated   |                  | Company        |                |
|----------------------------------|------|----------------|------------------|----------------|----------------|
|                                  |      | 2010<br>\$     | 2009<br>\$       | 2010<br>\$     | 2009<br>\$     |
| <b>Current assets</b>            |      |                |                  |                |                |
| Cash and cash equivalents        | 21   | 252,917        | 902,926          | 231,838        | 807,739        |
| Trade and other receivables      | 8    | 14,541         | 65,652           | 14,541         | 2,597          |
| Inventories                      | 9    | 69,515         | 82,328           | -              | -              |
| Other assets                     | 10   |                | 575              | -              | -              |
| Other financial assets           | 11   | 214,588        | 58,824           | 214,588        | 58,824         |
| <b>Total current assets</b>      |      | <b>551,561</b> | <b>1,110,305</b> | <b>460,967</b> | <b>869,160</b> |
| <b>Non-current assets</b>        |      |                |                  |                |                |
| Trade and other receivables      | 8    | 99,306         | -                | 185,629        | 85,629         |
| Other financial assets           | 11   | -              | -                | -              | -              |
| Intangible assets                | 12   | 13,824         | -                | -              | -              |
| Property, plant and equipment    | 13   | 82,234         | 80,042           | -              | -              |
| <b>Total non-current assets</b>  |      | <b>195,364</b> | <b>80,042</b>    | <b>185,629</b> | <b>85,629</b>  |
| <b>Total assets</b>              |      | <b>746,925</b> | <b>1,190,347</b> | <b>646,596</b> | <b>954,789</b> |
| <b>Current liabilities</b>       |      |                |                  |                |                |
| Trade and other payables         | 14   | 185,651        | 118,190          | 32,268         | 65,191         |
| <b>Total current liabilities</b> |      | <b>185,651</b> | <b>118,190</b>   | <b>32,268</b>  | <b>65,191</b>  |
| <b>Total liabilities</b>         |      | <b>185,651</b> | <b>118,190</b>   | <b>32,268</b>  | <b>65,191</b>  |
| <b>Net assets</b>                |      | <b>561,274</b> | <b>1,072,157</b> | <b>614,328</b> | <b>889,598</b> |
| <b>Equity</b>                    |      |                |                  |                |                |
| Issued capital                   | 15   | 10,507,536     | 10,507,536       | 10,507,536     | 10,507,536     |
| Reserves                         | 16   | 893,507        | 995,082          | 822,825        | 852,331        |
| Accumulated losses               |      | (10,839,769)   | (10,430,461)     | (10,716,033)   | (10,470,269)   |
| <b>Total equity</b>              |      | <b>561,274</b> | <b>1,072,157</b> | <b>614,328</b> | <b>889,598</b> |

Notes to the financial statements are included on pages 23 to 41.

## Statement of changes in equity for the financial year ended 30 June 2010

### Consolidated

|                                                                   | Fully paid<br>ordinary shares<br>\$ | Option premium<br>reserve<br>\$ | Foreign<br>currency<br>translation<br>reserve<br>\$ | Revaluation<br>reserve<br>\$ | Accumulated<br>losses<br>\$ | Total<br>\$ |
|-------------------------------------------------------------------|-------------------------------------|---------------------------------|-----------------------------------------------------|------------------------------|-----------------------------|-------------|
| <b>Balance at 1<sup>st</sup> July 2008</b>                        | 9,697,480                           | 893,507                         | 177,441                                             | 29,412                       | (9,932,913)                 | 864,927     |
| Exchange differences arising on translation of foreign operations | -                                   | -                               | (34,690)                                            | -                            | -                           | (34,690)    |
| <b>Net income recognised directly in equity</b>                   | -                                   | -                               | (34,690)                                            | -                            | -                           | (34,690)    |
| Loss for the period                                               | -                                   | -                               | -                                                   | -                            | (497,548)                   | (497,548)   |
| <b>Total recognised income and expense</b>                        | -                                   | -                               | -                                                   | -                            | (497,548)                   | (497,548)   |
| Unrealised gains from investments                                 | -                                   | -                               | -                                                   | (70,588)                     | -                           | (70,588)    |
| Issue of shares                                                   | 828,897                             | -                               | -                                                   | -                            | -                           | 828,897     |
| Issue costs                                                       | (18,841)                            | -                               | -                                                   | -                            | -                           | (18,841)    |
| <b>Balance at 30 June 2009</b>                                    | 10,507,536                          | 893,507                         | 142,751                                             | (41,176)                     | (10,430,461)                | 1,072,157   |
| <b>Balance at 1<sup>st</sup> July 2009</b>                        | 10,507,536                          | 893,507                         | 142,751                                             | (41,176)                     | (10,430,461)                | 1,072,157   |
| Exchange differences arising on translation of foreign operations | -                                   | -                               | -                                                   | -                            | -                           | -           |
| <b>Net income recognised directly in equity</b>                   | -                                   | -                               | -                                                   | -                            | -                           | -           |
| Loss for the period                                               | -                                   | -                               | -                                                   | -                            | (440,201)                   | (440,201)   |
| <b>Total recognised income and expense</b>                        | -                                   | -                               | -                                                   | -                            | (440,201)                   | (440,201)   |
| Unrealised gains from investments                                 | -                                   | -                               | -                                                   | (70,682)                     | -                           | (70,682)    |
| Issue of shares                                                   | -                                   | -                               | -                                                   | -                            | -                           | -           |
| Issue costs                                                       | -                                   | -                               | -                                                   | -                            | -                           | -           |
| <b>Balance at 30 June 2010</b>                                    | 10,507,536                          | 893,507                         | 142,751                                             | (111,858)                    | (10,870,662)                | 561,274     |

### Company

|                                            | Fully paid<br>ordinary shares<br>\$ | Option<br>premium<br>reserve<br>\$ | Revaluation<br>reserve<br>\$ | Accumulated<br>losses<br>\$ | Total<br>\$ |
|--------------------------------------------|-------------------------------------|------------------------------------|------------------------------|-----------------------------|-------------|
| <b>Balance at 1<sup>st</sup> July 2008</b> | 9,697,480                           | 893,507                            | 29,412                       | (9,983,543)                 | 636,856     |
| Loss for the period                        | -                                   | -                                  | -                            | (486,726)                   | (486,726)   |
| <b>Total recognised income and expense</b> | -                                   | -                                  | -                            | (486,726)                   | (486,726)   |
| Unrealised gains from investments          | -                                   | -                                  | (70,588)                     | -                           | (70,588)    |
| Issue of shares                            | 828,897                             | -                                  | -                            | -                           | 828,897     |
| Issue costs                                | (18,841)                            | -                                  | -                            | -                           | (18,841)    |
| <b>Balance at 30 June 2009</b>             | 10,507,536                          | 893,507                            | (41,176)                     | (10,470,269)                | 889,598     |
| <b>Balance at 1<sup>st</sup> July 2009</b> | 10,507,536                          | 893,507                            | (41,176)                     | (10,470,269)                | 889,598     |
| Loss for the period                        | -                                   | -                                  | -                            | (204,588)                   | (204,588)   |
| <b>Total recognised income and expense</b> | -                                   | -                                  | -                            | (204,588)                   | (204,588)   |
| Unrealised gains from investments          | -                                   | -                                  | (70,682)                     | -                           | (70,682)    |
| Issue of shares                            | -                                   | -                                  | -                            | -                           | -           |
| Issue costs                                | -                                   | -                                  | -                            | -                           | -           |
| <b>Balance at 30 June 2010</b>             | 10,507,536                          | 893,507                            | (111,858)                    | (10,674,857)                | 614,328     |

## Cash flow statement for the financial year ended 30 June 2010

|                                                                                    | Note  | Consolidated |             | Company    |            |
|------------------------------------------------------------------------------------|-------|--------------|-------------|------------|------------|
|                                                                                    |       | 2010<br>\$   | 2009<br>\$  | 2010<br>\$ | 2009<br>\$ |
| <b>Cash flows from operating activities</b>                                        |       |              |             |            |            |
| Receipts from customers                                                            |       | 400,789      | 434,453     | 276        | -          |
| Payments to suppliers and employees                                                |       | (608,245)    | (1,061,460) | (310,378)  | (522,445)  |
| Interest received                                                                  |       | 10,572       | 15,107      | 10,572     | 16,363     |
| Dividends received                                                                 |       | 5,434        | -           | 5,434      | -          |
| Borrowing costs expense                                                            |       | (1,003)      |             |            |            |
| Net cash used in operating activities                                              | 21(b) | (192,454)    | (611,900)   | (294,096)  | (506,082)  |
| <b>Cash flows from investing activities</b>                                        |       |              |             |            |            |
| Loans to controlled entities                                                       |       | (100,000)    | -           | (100,000)  | (100,000)  |
| Amounts advanced to other entities                                                 |       | (212,050)    | -           | (36,300)   |            |
| Payment for available-for-sale financial assets                                    |       | (162,497)    | -           | (162,497)  | -          |
| Payments for property, plant and equipment                                         |       |              | (13,925)    | -          | -          |
| Net cash used in investing activities                                              |       | (474,547)    | (13,925)    | (298,797)  | (100,000)  |
| <b>Cash flows from financing activities</b>                                        |       |              |             |            |            |
| Proceeds from issue of equity securities                                           |       | 16,992       | 828,896     | 16,992     | 828,896    |
| Proceeds of borrowings                                                             |       |              | (18,840)    |            | (18,840)   |
| Repayment of borrowings                                                            |       |              | -           |            | -          |
| Net cash provided by financing activities                                          |       | 16,992       | 810,056     | 16,992     | 810,056    |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                        |       | (650,009)    | 184,231     | (575,901)  | 203,974    |
| <b>Cash and cash equivalents at the beginning of the financial year</b>            |       | 902,926      | 630,794     | 807,739    | 603,765    |
| Effects of exchange rate changes on the balance of cash held in foreign currencies |       |              | 87,901      | -          | -          |
| <b>Cash and cash equivalents at the end of the financial year</b>                  | 21(a) | 252,917      | 902,926     | 231,838    | 807,739    |

Notes to the financial statements are included on pages 23 to 41.



## **1. General information**

Millepede International Limited, ("the Company", with its subsidiaries "the Group") is a public company listed on the Australian Securities Exchange (trading under the symbol "MPD") and operating in Australia, the United States of America, the United Kingdom and Singapore.

Millepede International Limited's registered office and its principal place of business is as follows:

Level 1  
181 Malop Street  
GEELONG, Victoria 3220

The Group's principal activities during the course of the financial year were the development of continuous injection modeling technology, the production and marketing of the Mille-Ties product and investment in other listed entities.

## **2. Significant accounting policies**

### **Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS 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 30 August 2010.

### **Basis of preparation**

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

### **Going concern**

The Group has incurred a net loss after tax for the year ended 30 June 2010 of \$461,150 (2009:\$497,548). The Company has incurred a net loss after tax for the year ended 30 June 2010 of \$245,764 (2009:\$ 486,726). As at 30 June 2009, the Group had net current assets of \$-561,274 (2009:\$ 1,072,157). The Company had net current assets of \$614,328 (2009:\$ 889,598).

Whilst the Group has yet to establish profitable operations, the Directors have prepared the financial statements on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe this to be appropriate for the following reasons:

1. the Company has the option to reduce corporate and other non-sales resources without materially affecting revenue activities;
2. the Company believes it has the ability to raise additional funding if required.

Based on the above, the Directors are confident that the Group will be able to continue operations for the foreseeable future.

### **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Refer to Note 3 for a discussion of critical judgements in applying the entity's accountings policies and key sources of estimation uncertainty.

## 2. Significant accounting policies (contd)

### Adoption of new and revised Accounting Standards

#### Changes in accounting policy on initial application of Accounting Standards

#### New Accounting Standards for Application in Future Periods

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

- AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on;
  - a. the objective of the entity's business model for managing the financial assets; and
  - b. the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009-5; Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009-8; Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132] applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed

number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and

Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment 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. These amendments are not expected to impact the Group.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences

that can arise from the previous accounting requirements when an entity prepaays future contributions into a defined benefit pension plan. This standard will not impact the Group.

- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or the Group.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement.

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

**(a) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

**(b) Revenue recognition**

Revenue from sales are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

**2. Significant accounting policies (contd)**

**(c) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

**(d) Foreign currency translation and balances**

Both the functional and presentation currency of Millepede International Limited is Australian dollars.

The functional currency of the Company's overseas subsidiaries is British Pounds, United States Dollars and Singapore Dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of Millepede International Limited at the rate of exchange ruling at the balance sheet date and the income statement is translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

**(e) Income Tax**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

**2. Significant accounting policies (contd)**

**(e) Income Tax (contd)**

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Millepede International Limited and its subsidiaries have unused tax losses. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

**(f) Intangibles**

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

**(g) Investments**

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

**(h) Trade & other receivables**

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

**(i) Recoverable amount of non-current assets valued on cost basis**

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting year in which it occurs.

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

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

**(j) Leased assets**

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

***Operating leases***

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

**(k) Trade & other payables**

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 30 days.

**2. Significant accounting policies (contd)**

**(l) Acquisition of assets**

All assets acquired included property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued at consideration, their market price at the date of acquisition is used as fair value.

Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

**(m) Plant and Equipment**

Plant and equipment are carried at cost less accumulated depreciation and impairment losses. All assets are depreciated over their estimated useful lives on a reducing balance basis commencing from the time the asset is ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The expected useful lives are as follows:

|                                |               |
|--------------------------------|---------------|
| Motor vehicles                 | 5 years       |
| Computer hardware              | 3 years       |
| Office equipment and furniture | 3 to 10 years |

**(n) Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost includes direct materials, direct labour, other direct variable costs and allocated production overheads necessary to bring inventories to present location and condition, based on normal operating capacity of the production facilities.

**(o) Employee entitlements**

The provisions for employee entitlements to wage, salaries and annual leave represent present obligations resulting from employees' services provided up to balance date, calculated at nominal amounts based on remuneration wage and salary rates that the consolidated entity expects to pay.

**(p) Patents and Trademarks**

Patents and trademarks are brought to account at cost.

The cost of patents and trademarks are amortised over the years in which the related benefits are expected to be realised. The balances are reviewed annually to determine the appropriateness of the carrying values.

**(q) Share-based payment transactions**

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial or Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Millepede International Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

**2. Significant accounting policies (contd)**

**(q) Share-based payment transactions**

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### 3. Critical accounting judgements and key sources of estimation uncertainty

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed, where applicable, in the relevant note to the financial statements.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### *Impairment of goodwill and intangibles with indefinite useful lives:*

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

#### *Income Taxes*

The Group is subject to income taxes in Australia. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination may be uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the current and deferred tax provisions in the periods in which such determination are made. At 30 June 2009, management believes there are no material judgement areas which would result in the actual final outcome differing from the calculated income tax.

#### 4. Segment information

The group has three geographic segments, being Australia, United Kingdom, and United States, and one business segment being the development, production and marketing of the Mille-Ties technology.

##### Segment revenue

|                       | External segment revenue |            | Inter-segment revenue |            | Total      |            |
|-----------------------|--------------------------|------------|-----------------------|------------|------------|------------|
|                       | 2010<br>\$               | 2009<br>\$ | 2010<br>\$            | 2009<br>\$ | 2010<br>\$ | 2009<br>\$ |
| Australia             | 19,747                   | 35,087     | -                     | -          | 19,747     | 35,087     |
| United Kingdom        | 168,949                  | 147,084    | -                     | -          | 168,949    | 147,084    |
| United States         | 315,698                  | 243,059    | -                     | -          | 315,698    | 243,059    |
| Singapore             | 2,607                    | -          | -                     | -          | 2,607      | -          |
| Total of all segments |                          |            |                       |            | 507,001    | 577,498    |
| Eliminations          |                          |            |                       |            | -          | -          |
| Consolidated          |                          |            |                       |            | 507,001    | 577,498    |

##### Segment result

|                                | 2010<br>\$ | 2009<br>\$ |
|--------------------------------|------------|------------|
| Australia                      | (245,765)  | (486,726)  |
| United Kingdom                 | (27,446)   | (70,840)   |
| United States                  | (18,262)   | 62,293     |
| Singapore                      | (169,679)  | (15,397)   |
| Total of all segments          | (461,152)  | (510,670)  |
| Eliminations                   | -          | 13,122     |
| Loss before income tax benefit | (461,152)  | (497,548)  |
| Income tax benefit             | -          | -          |
| Loss for the period            | (461,152)  | (497,548)  |

##### Segment assets and liabilities

|                       | Assets     |            | Liabilities |             |
|-----------------------|------------|------------|-------------|-------------|
|                       | 2010<br>\$ | 2009<br>\$ | 2010<br>\$  | 2009<br>\$  |
| Australia             | 646,596    | 954,789    | (32,268)    | (65,191)    |
| United Kingdom        | 107,313    | 102,894    | (79,707)    | (624,557)   |
| United States         | 179,476    | 147,962    | (79,539)    | (672,340)   |
| Singapore             | 7,264      | 85,627     | (187,862)   | (100,000)   |
| Total of all segments | 940,649    | 1,291,272  | (379,376)   | (1,462,088) |
| Eliminations          | (193,724)  | (100,925)  | 193,725     | 1,343,898   |
| Consolidated          | 746,925    | 1,190,347  | (185,651)   | (118,190)   |

##### Other segment information

|                       | Depreciation and amortisation |            | Provision for non-recoverability of loans |            |
|-----------------------|-------------------------------|------------|-------------------------------------------|------------|
|                       | 2010<br>\$                    | 2009<br>\$ | 2010<br>\$                                | 2009<br>\$ |
| Australia             | -                             | -          |                                           | (34,909)   |
| United Kingdom        | (13,945)                      | (19,892)   |                                           | -          |
| United States         |                               | (65,926)   |                                           | -          |
| Singapore             | (187)                         | -          |                                           | -          |
| Total of all segments | (14,132)                      | (85,818)   |                                           | (34,909)   |



## 5. Revenue

An analysis of the Group's revenue for the year, from continuing operations, is as follows:

|                                | Consolidated  |               | Company       |               |
|--------------------------------|---------------|---------------|---------------|---------------|
|                                | 2010          | 2009          | 2010          | 2009          |
|                                | \$            | \$            | \$            | \$            |
| <b>Revenue</b>                 |               |               |               |               |
| Revenue from the sale of goods | 484,513       | 390,143       | -             | -             |
| <b>Other income</b>            |               |               |               |               |
| Interest revenue               | 19,747        | 35,087        | 19,747        | 35,087        |
| Other income                   | 2,741         | -             | -             | -             |
|                                | <u>22,488</u> | <u>35,087</u> | <u>19,747</u> | <u>35,087</u> |

## 6. Loss for the year

### (a) Gains and losses

The loss for the year has been arrived at after crediting/(charging) the following gains and losses:

|                                     | Consolidated |         | Company |      |
|-------------------------------------|--------------|---------|---------|------|
|                                     | 2010         | 2009    | 2010    | 2009 |
|                                     | \$           | \$      | \$      | \$   |
| Net foreign exchange gains/(losses) | 134          | 132,607 |         | 234  |

### (b) Other expenses

Loss for the year includes the following expenses:

|                                         | Consolidated |                | Company |                |
|-----------------------------------------|--------------|----------------|---------|----------------|
|                                         | 2010         | 2009           | 2010    | 2009           |
|                                         | \$           | \$             | \$      | \$             |
| Provision for doubtful debts            | -            | -              | -       | -              |
| Depreciation of non-current assets      | 14,132       | 67,273         | -       | -              |
| <b>Operating lease rental expenses:</b> |              |                |         |                |
| Minimum lease payments                  |              | 7,353          |         | 25,000         |
| <b>Employee benefit expense:</b>        |              |                |         |                |
| Post employment benefits                |              | 6,226          |         | 6,226          |
| Other employee benefits                 |              | 109,477        |         | 103,696        |
|                                         |              | <u>115,703</u> |         | <u>109,922</u> |

## 7. Income taxes

### Income tax recognised in profit or loss

|                                                                                                 | Consolidated |          | Company  |          |
|-------------------------------------------------------------------------------------------------|--------------|----------|----------|----------|
|                                                                                                 | 2010         | 2009     | 2010     | 2009     |
|                                                                                                 | \$           | \$       | \$       | \$       |
| <b>Tax expense/(income) comprises:</b>                                                          |              |          |          |          |
| Current tax expense/(income)                                                                    | -            | -        | -        | -        |
| Deferred tax expense/(income) relating to the origination and reversal of temporary differences | -            | -        | -        | -        |
|                                                                                                 | <u>-</u>     | <u>-</u> | <u>-</u> | <u>-</u> |

The prima facie income tax expense/(income) on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

## 7. Income taxes (contd)

|                                                                                   |           |           |           |           |
|-----------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| Loss from operations                                                              | (461,150) | (497,548) | (245,764) | (486,726) |
| Income tax expense calculated at 30%                                              | (138,345) | (149,264) | (73,729)  | (146,018) |
| Tax effect of amounts which are not deductible/(assessable)                       | 1,603     | (2,072)   | 1,603     | 3,966     |
| Effect of unused tax losses and tax offsets not recognised as deferred tax assets | (136,742) | (151,336) | (72,126)  | (142,052) |
|                                                                                   | -         | -         | -         | -         |

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

## Unrecognised deferred tax assets/(liabilities)

|                                                                                   | Consolidated |           | Company |           |
|-----------------------------------------------------------------------------------|--------------|-----------|---------|-----------|
|                                                                                   | 2010         | 2009      | 2010    | 2009      |
|                                                                                   | \$           | \$        | \$      | \$        |
| The following deferred tax assets/(liabilities) have not been brought to account: |              |           |         |           |
| Tax losses – revenue                                                              |              | 1,835,001 |         | 1,666,929 |
| Temporary differences                                                             |              | 492,996   |         | 1,508,700 |
|                                                                                   |              | 2,327,997 |         | 3,175,629 |

## 8. Trade and other receivables

|                   | Consolidated |        | Company |       |
|-------------------|--------------|--------|---------|-------|
|                   | 2010         | 2009   | 2010    | 2009  |
|                   | \$           | \$     | \$      | \$    |
| Trade receivables |              | 21,146 | -       | -     |
| Other receivables | 14,541       | 44,506 | 14,541  | 2,597 |
|                   | 14,541       | 65,652 | 14,541  | 2,597 |

None of these receivable are past due or impaired. All receivables are in their normal credit terms.

## 9. Inventories

|                                                          | Consolidated |        | Company |          |
|----------------------------------------------------------|--------------|--------|---------|----------|
|                                                          | 2010         | 2009   | 2010    | 2009     |
|                                                          | \$           | \$     | \$      | \$       |
| Finished goods on hand, at cost                          | 55,711       | 82,328 |         | 12,139   |
| Less: provision for slow moving and obsolete inventories | -            | -      |         | (12,139) |
|                                                          | 55,711       | 82,328 | -       | -        |

## 10. Other assets

|             | Consolidated |      | Company |      |
|-------------|--------------|------|---------|------|
|             | 2010         | 2009 | 2010    | 2009 |
|             | \$           | \$   | \$      | \$   |
| Prepayments |              | 575  | -       | -    |

## 11. Other financial assets

|                                                              | Consolidated |             | Company     |             |
|--------------------------------------------------------------|--------------|-------------|-------------|-------------|
|                                                              | 2010         | 2009        | 2010        | 2009        |
|                                                              | \$           | \$          | \$          | \$          |
| <i>Investments carried at cost:</i>                          |              |             |             |             |
| <u>Non-current</u>                                           |              |             |             |             |
| Investments in subsidiaries (note 20)                        | -            | -           | 2,181,305   | 2,181,305   |
| Less: accumulated impairment losses                          | -            | -           | (2,181,303) | (2,181,303) |
| Investments in other entities                                | 192,567      | 192,567     | 192,567     | 192,567     |
| Less: accumulated impairment losses                          | (192,567)    | (192,567)   | (192,567)   | (192,567)   |
|                                                              | -            | -           | 2           | -           |
| <i>Loans carried at amortised cost:</i>                      |              |             |             |             |
| <u>Non-Current</u>                                           |              |             |             |             |
| Loans to other entities (i)                                  | 1,308,172    | 1,308,172   | 1,308,172   | 1,308,172   |
| Less: provision for non-recoverability                       | (1,308,172)  | (1,308,172) | (1,308,172) | (1,308,172) |
|                                                              | -            | -           | -           | -           |
| <u>Non-current</u>                                           |              |             |             |             |
| Loans to subsidiaries (note 20)                              | -            | -           | 1,328,597   | 1,328,597   |
| Less: provision for non-recoverability                       | -            | -           | (1,242,970) | (1,242,970) |
|                                                              | -            | -           | 85,627      | 85,627-     |
| <i>Available-for-sale investments carried at fair value:</i> |              |             |             |             |
| <u>Current</u>                                               |              |             |             |             |
| Shares (ii)                                                  | 214,588      | 58,824      | 214,588     | 58,824      |
|                                                              | 214,588      | 58,824      | 214,588     | 58,824      |
| <b>Disclosed in the financial statements as:</b>             |              |             |             |             |
| Current other financial assets                               | 214,588      | 58,824      | 214,588     | 58,824      |
| Non-current other financial assets (iii)                     | -            | -           | 214,588     | 85,629-     |

- (i) The group has advanced I Nuovi Cosmetics (S) Pte ("I Nuovi") \$1,308,172 (2008:1,287,596) in loans to 30 June 2009 at comparable commercial interest rates, being 2% above the interbank lending rate. Interest accrued to date has been capitalised into the balance of the loan.  
The loan has been conservatively assessed as non-recoverable, pending the conversion of the loan into an equity investment in I Nuovi. At that point, the quantum of the provision will be re-assessed with reference to the fair value of the resulting investment in I Nuovi.
- (ii) The group holds an investment in Holista Colltech Limited (formerly CollTech Limited). At 30 June 2009, the fair value of the shares was \$58,824, the unrecognised gain is disclosed in reserves on the balance sheet.
- (iii) The balance relates to a loan to Amrita Investment Group Pte Ltd, a new wholly owned subsidiary of Millepede International Limited (see note 20).

## 12. Intangible assets

|                                     | Consolidated |           | Company   |           |
|-------------------------------------|--------------|-----------|-----------|-----------|
|                                     | 2010         | 2009      | 2010      | 2009      |
|                                     | \$           | \$        | \$        | \$        |
| Intellectual property               | 613,451      | 302,813   | 302,813   | 302,813   |
| Less: accumulated amortisation      | (613,451)    | (302,813) | (302,813) | (302,813) |
|                                     | -            | -         | -         | -         |
| Patents and trademarks              | 80,781       | 80,781    | 80,781    | 80,781    |
| Less: accumulated amortisation      | (80,781)     | (80,781)  | (80,781)  | (80,781)  |
|                                     | -            | -         | -         | -         |
| Royalties                           | 20,187       | 20,187    | 20,187    | 20,187    |
| Less: accumulated impairment losses | (20,187)     | (20,187)  | (20,187)  | (20,187)  |
|                                     | -            | -         | -         | -         |
|                                     | -            | -         | -         | -         |

### 13. Property, plant and equipment

|                                                              | Consolidated                      |             |
|--------------------------------------------------------------|-----------------------------------|-------------|
|                                                              | Plant and equipment at cost<br>\$ | Total<br>\$ |
| <b>Gross carrying amount</b>                                 |                                   |             |
| <b>Balance at 1 July 2008</b>                                | 330,294                           | 330,294     |
| Additions                                                    | 13,925                            | 13,925      |
| Disposals                                                    |                                   |             |
| Net foreign currency exchange differences                    | 31,743                            | 31,743      |
| <b>Balance at 30 June 2009</b>                               | 375,962                           | 375,962     |
| Additions                                                    |                                   |             |
| Disposals                                                    | -                                 | -           |
| Net foreign currency exchange differences                    |                                   |             |
| <b>Balance at 30 June 2010</b>                               | 375,962                           | 375,962     |
| <b>Accumulated depreciation/ amortisation and impairment</b> |                                   |             |
| <b>Balance at 1 July 2008</b>                                | (215,802)                         | (215,802)   |
| Depreciation expense                                         | (67,273)                          | (67,273)    |
| Disposals                                                    | -                                 | -           |
| Net foreign currency exchange differences                    | (12,843)                          | (12,843)    |
| <b>Balance at 30 June 2009</b>                               | (295,920)                         | (295,920)   |
| Depreciation expense                                         | (14,132)                          | (14,132)    |
| Disposals                                                    | -                                 | -           |
| Net foreign currency exchange differences                    |                                   |             |
| <b>Balance at 30 June 2010</b>                               | (310,052)                         | (310,052)   |
| <b>Net book value</b>                                        |                                   |             |
| As at 30 June 2010                                           | 82,234                            | 82,234      |
| As at 30 June 2009                                           | 80,042                            | 95,402      |

  

|                                                              | Company                           |             |
|--------------------------------------------------------------|-----------------------------------|-------------|
|                                                              | Plant and equipment at cost<br>\$ | Total<br>\$ |
| <b>Gross carrying amount</b>                                 |                                   |             |
| <b>Balance at 1 July 2009 and 30 June 2010</b>               | 30,029                            | 30,029      |
| Disposals                                                    | (30,029)                          | (30,029)    |
| <b>Balance at 30 June 2010</b>                               | -                                 | -           |
| <b>Accumulated depreciation/ amortisation and impairment</b> |                                   |             |
| <b>Balance at 1 July 2008</b>                                | -                                 | -           |
| Depreciation expense                                         | -                                 | -           |
| Disposals                                                    | -                                 | -           |
| <b>Balance at 30 June 2009</b>                               | -                                 | -           |
| Depreciation expense                                         | -                                 | -           |
| Disposals                                                    | -                                 | -           |
| <b>Balance at 30 June 2010</b>                               | -                                 | -           |
| <b>Net book value</b>                                        |                                   |             |
| As at 30 June 2010                                           | -                                 | -           |
| As at 30 June 2009                                           | -                                 | -           |

The following useful lives are used in the calculation of depreciation:

Plant and equipment 3 – 10 years

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

|                     | Consolidated |            | Company    |            |
|---------------------|--------------|------------|------------|------------|
|                     | 2010<br>\$   | 2009<br>\$ | 2010<br>\$ | 2009<br>\$ |
| Plant and equipment | 82,234       | 67,273     | -          | -          |

  

|                              | Consolidated |            | Company    |            |
|------------------------------|--------------|------------|------------|------------|
|                              | 2010<br>\$   | 2009<br>\$ | 2010<br>\$ | 2009<br>\$ |
| Trade creditors              |              | 43,420     |            | 10,686     |
| Other creditors and accruals | 185,651      | 74,770     | 32,268     | 54,503     |
|                              | 185,651      | 118,190    | 32,268     | 65,189     |

### 14. Trade and other payables

## 15. Issued capital

273,796,059 fully  
paid ordinary shares  
(2008: 170,183,965)

| Company    |            |
|------------|------------|
| 2010       | 2009       |
| \$         | \$         |
| 10,507,536 | 10,507,536 |

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

|                                                                                     | 2010        |            | 2009        |           |
|-------------------------------------------------------------------------------------|-------------|------------|-------------|-----------|
|                                                                                     | No.         | \$         | No.         | \$        |
| <b>Fully paid ordinary shares</b>                                                   |             |            |             |           |
| Balance at beginning of financial year                                              | 273,796,059 | 10,507,536 | 170,183,965 | 9,697,480 |
| Shares issued for cash via placement at 3 cents per share.                          | -           | -          |             |           |
| Shares issued for cash via non-renounceable entitlement issue at 3 cents per share. | -           | -          |             |           |
| Shares issued for cash via a renounceable entitlement issue at 0.8 cents per share  |             |            | -           | -         |
| Share issue costs                                                                   | -           | -          | -           | -         |
| Balance at end of financial year                                                    | 273,796,059 | 10,507,536 | 170,183,965 | 9,697,480 |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

### Share options on issue

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

The Company has no share options on issue during 2010 financial year.

## 16. Reserves

|                              | Consolidated |          | Company  |          |
|------------------------------|--------------|----------|----------|----------|
|                              | 2010         | 2009     | 2010     | 2009     |
|                              | \$           | \$       | \$       | \$       |
| Investments revaluation      | (70,682)     | (41,176) | (70,682) | (41,176) |
| Option premium               | 893,507      | 893,507  | 893,507  | 893,507  |
| Foreign currency translation |              | 142,751  | -        | -        |
|                              | 822,825      | 995,082  | 822,825  | 852,331  |

The investments revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

The option premium reserve records the proceeds received on the issue of share options by the company.

Exchange differences relating to the translation from the functional currencies of the Group's

foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

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## 17. Loss per share

|                      | Consolidated               |                            |
|----------------------|----------------------------|----------------------------|
|                      | 2010<br>Cents<br>per share | 2009<br>Cents<br>per share |
| Basic loss per share | 0.17                       | 0.26                       |

### Basic loss per share

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

|                                                                                                 | 2010<br>\$  | 2009<br>\$  |
|-------------------------------------------------------------------------------------------------|-------------|-------------|
| Net loss                                                                                        | 461,150     | 497,548     |
|                                                                                                 | 2010<br>No. | 2009<br>No. |
| Weighted average number of ordinary shares for the purposes of calculating basic loss per share | 273,796,059 | 194,014,331 |

### Diluted loss per share

Diluted loss per share has not been calculated as the Company's potential ordinary shares are not considered dilutive and do not increase loss per share.

## 18. Commitments for expenditure

|                                                    | Consolidated |            | Company    |            |
|----------------------------------------------------|--------------|------------|------------|------------|
|                                                    | 2010<br>\$   | 2009<br>\$ | 2010<br>\$ | 2009<br>\$ |
| <b>Operating leases</b>                            |              |            |            |            |
| <u>Non-cancellable operating lease commitments</u> |              |            |            |            |
| Not longer than 1 year                             | 35,690       | 35,690     | -          | -          |
| Longer than 1 year and not longer than 5 years     | 26,768       | 26,768     | -          | -          |
| Longer than 5 years                                | -            | -          | -          | -          |
|                                                    | 62,458       | 62,458     | -          | -          |

### Leasing arrangements

Operating leases relate to rental of office space. The rental of office space ceases in August 2008 subsequent to change of registered office.

## 19. Contingent liabilities and contingent assets

There were no contingent assets or liabilities at the year end.

## 20. Subsidiaries

| Name of entity                  | Country of incorporation | Ownership interest |           |
|---------------------------------|--------------------------|--------------------|-----------|
|                                 |                          | 2010<br>%          | 2009<br>% |
| <b>Parent entity</b>            |                          |                    |           |
| Millepede International Limited | Australia                | N/A                | N/A       |
| <b>Subsidiaries</b>             |                          |                    |           |
| Millepede Marketing Ltd (UK)    | United Kingdom           | 97                 | 97        |
| Millepede USA Inc               | United States            | 94                 | 94        |
| Amrita Investment Group Pte Ltd | Singapore                | 100                | 100       |

## 21. Notes to the cash flow statement

### (a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

|                           | Consolidated |         | Company |         |
|---------------------------|--------------|---------|---------|---------|
|                           | 2010         | 2009    | 2010    | 2009    |
|                           | \$           | \$      | \$      | \$      |
| Cash and cash equivalents | 252,917      | 902,926 | 231,838 | 807,739 |

### (b) Reconciliation of loss for the period to net cash flows from operating activities

|                                                                   | Consolidated |           | Company   |           |
|-------------------------------------------------------------------|--------------|-----------|-----------|-----------|
|                                                                   | 2010         | 2009      | 2010      | 2009      |
|                                                                   | \$           | \$        | \$        | \$        |
| Loss for the year                                                 | (461,150)    | (497,548) | (245,764) | (486,726) |
| Depreciation and amortisation                                     | 14,132       | 67,273    | -         | -         |
| Foreign exchange (gain)/loss                                      |              | (141,489) | -         | -         |
| Interest income accrued                                           | -            | -         |           | (20,576)  |
| Changes in net assets and liabilities:                            |              |           |           |           |
| (Increase)/decrease in assets:                                    |              |           |           |           |
| Trade and other receivables                                       |              | 46,162    |           | 1,465     |
| Inventories                                                       | (69,515)     | (23,885)  |           | -         |
| Other assets                                                      | 509,730      | (388)     | (48,332)  | -         |
| Increase/(decrease) in liabilities:                               |              |           |           |           |
| Trade and other payables                                          | (185,651)    | (62,025)  |           | (35,194)  |
| Provisions for non-recoverability of loans to controlled entities | -            | -         |           | 14,373    |
| Provision for non-recoverability of loans with other entities     | -            | -         |           | 20,576    |
| Net cash from operating activities                                | (192,454)    | (611,900) | (294,096) | (506,082) |

## 22. Financial instruments

### (a) Overview

The Company and the Group have exposure to the following risks from their use of financial instruments

- Credit risk
- Liquidity risk
- Currency risk
- Interest rate risk

#### Credit risk

Credit risk is the risk of financial loss to the Company or Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. For the company it arises mainly from receivables due from subsidiaries and other entities.

The Company or Group is not materially exposed to any individual overseas country or individual customer. The Company and the Group continuously monitors its trading terms with its counter parties and there are no debts that are past due or impaired and are in the initial credit terms.

#### Liquidity risk

Liquidity risk is the risk that the Company or Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 6 months, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as natural disasters.



## 22. Financial instruments (contd)

Liquidity risk table

The remaining contractual maturity for the non-derivative financial liabilities of the group and the parent entity are shown in the tables below

| CONSOLIDATED                 |                   |            |             |                   |          |         |
|------------------------------|-------------------|------------|-------------|-------------------|----------|---------|
|                              | Less than 1 month | 1-3 months | 3-12 months | 1 year to 5 years | 5+ years | Total   |
|                              | \$                | \$         | \$          | \$                | \$       | \$      |
| <b>2010</b>                  |                   |            |             |                   |          |         |
| <b>Financial assets</b>      |                   |            |             |                   |          |         |
| Trade and other receivables  | -                 | 14,541     | -           | -                 | -        | 14,541  |
|                              | -                 | 14,541     | -           | -                 | -        | 14,541  |
| <b>Financial liabilities</b> |                   |            |             |                   |          |         |
| Trade payables               | -                 | 185,651    | -           | -                 | -        | 185,651 |
|                              | -                 | 185,651    | -           | -                 | -        | 185,651 |
| <b>2009</b>                  |                   |            |             |                   |          |         |
| <b>Financial assets</b>      |                   |            |             |                   |          |         |
| Trade and other receivables  | -                 | 65,652     | -           | -                 | -        | 65,652  |
|                              | -                 | 65,652     | -           | -                 | -        | 65,652  |
| <b>Financial liabilities</b> |                   |            |             |                   |          |         |
| Trade payables               | -                 | 118,189    | -           | -                 | -        | 118,189 |
|                              | -                 | 118,189    | -           | -                 | -        | 118,189 |
| <b>COMPANY</b>               |                   |            |             |                   |          |         |
|                              | Less than 1 month | 1-3 months | 3-12 months | 1 year to 5 years | 5+ years | Total   |
|                              | \$                | \$         | \$          | \$                | \$       | \$      |
| <b>2010</b>                  |                   |            |             |                   |          |         |
| <b>Financial assets</b>      |                   |            |             |                   |          |         |
| Trade and other receivables  | -                 | 14,541     | -           | -                 | -        | 14,541  |
| Other financial assets       | -                 | -          | -           | -                 | -        | -       |
|                              | -                 | 14,541     | -           | -                 | -        | 14,541  |
| <b>Financial liabilities</b> |                   |            |             |                   |          |         |
| Trade payables               | -                 | 32,268     | -           | -                 | -        | 32,268  |
|                              | -                 | 32,268     | -           | -                 | -        | 32,268  |
| <b>2009</b>                  |                   |            |             |                   |          |         |
| <b>Financial assets</b>      |                   |            |             |                   |          |         |
| Trade and other receivables  | -                 | 2,597      | -           | -                 | -        | 2,597   |
| Other financial assets       | -                 | -          | -           | 144,412           | -        | 144,412 |
|                              | -                 | 2,597      | -           | 144,412           | -        | 147,009 |
| <b>Financial liabilities</b> |                   |            |             |                   |          |         |
| Trade payables               | -                 | 65,191     | -           | -                 | -        | 65,191  |
|                              | -                 | 65,191     | -           | -                 | -        | 65,191  |

### Foreign currency risk

Currency risk is the risk that the value of a financial commitment, probable transaction, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Group is primarily exposed to the risk of adverse movements in the Australian dollar compared to the United States dollar ("USD") and the British Pound ("GBP") as its sales are denominated in USD & GBP. The Group has exposure to movement in the Singapore dollar through a subsidiary. Most foreign currency transactions are not so substantial as to give rise to a material risk to the Group. Where management believes a material risk does arise, it is managed by loans to subsidiaries being denominated in Australian dollars and as such there is no exposure for the Company.

#### **Fair value of financial assets and liabilities**

The fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- The fair value of short term money instruments are determined by reference to amounts determined by the group's banks;
- The fair value of finance lease liabilities has been determined as being equal to the present value of the minimum lease payments discounted using prevailing market interest rates.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximates their fair value.

|                                     | <b>2010</b>            |                   | <b>2009</b>            |                   |
|-------------------------------------|------------------------|-------------------|------------------------|-------------------|
|                                     | <b>Carrying amount</b> | <b>Fair value</b> | <b>Carrying amount</b> | <b>Fair value</b> |
|                                     | <b>\$</b>              | <b>\$</b>         | <b>\$</b>              | <b>\$</b>         |
| <b>Group</b>                        |                        |                   |                        |                   |
| <b><u>Financial assets</u></b>      |                        |                   |                        |                   |
| Cash and cash equivalents           | 252,917                | 252,917           | 902,926                | 902,926           |
| Trade and other receivables         | 14,541                 | 14,541            | 65,652                 | 65,652            |
| Other financial assets              | 214,588                | 214,588           | 58,824                 | 58,824            |
| <b><u>Financial liabilities</u></b> |                        |                   |                        |                   |
| Trade and other payables            | 185,651                | 185,651           | 118,189                | 118,189           |
|                                     | <b>2010</b>            |                   | <b>2009</b>            |                   |
|                                     | <b>Carrying amount</b> | <b>Fair value</b> | <b>Carrying amount</b> | <b>Fair value</b> |
|                                     | <b>\$</b>              | <b>\$</b>         | <b>\$</b>              | <b>\$</b>         |
| <b>Parent</b>                       |                        |                   |                        |                   |
| <b><u>Financial assets</u></b>      |                        |                   |                        |                   |
| Cash and cash equivalents           | 231,838                | 231,838           | 807,739                | 807,739           |
| Trade and other receivables         | 14,541                 | 14,541            | 2,597                  | 2,597             |
| Other financial assets              | 214,588                | 214,588           | 58,824                 | 58,824            |
| <b><u>Financial liabilities</u></b> |                        |                   |                        |                   |
| Trade and other payables            | 32,268                 | 32,268            | 65,189                 | 65,189            |

#### **23. Share-based payments**

##### **Employee share options**

No options have been granted to employees or directors during the year and no options have vested during the year that were granted in a prior period. At 30 June 2009 there are no outstanding options on issue that were granted as share based payments.

## 24. Related party transactions

### (a) Equity interests in related parties

#### Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 20 to the financial statements.

### (b) Transactions with key management personnel

#### i. Key management personnel compensation

Details of key management personnel compensation are disclosed in Remuneration Report which forms part of the Directors' Report and has been audited (pages 10 to 11).

#### ii. Key management personnel equity holdings

##### Fully paid ordinary shares of Millepede International Limited

|                | Balance<br>at 1 July<br>No. | Balance on<br>appointment<br>No. | Net other<br>changes<br>No. | Received on<br>exercise of<br>options<br>No. | Balance on<br>resignation<br>No. | Balance<br>at 30 June<br>No. |
|----------------|-----------------------------|----------------------------------|-----------------------------|----------------------------------------------|----------------------------------|------------------------------|
| <b>2010</b>    |                             |                                  |                             |                                              |                                  |                              |
| Sam Di-Giacomo | -                           | N/A                              | -                           | -                                            | N/A                              | -                            |
| Richard Chan   | 36,142,502                  | N/A                              | -                           | -                                            | N/A                              | 36,142,502                   |
| Kee Tang       | -                           | -                                | -                           | -                                            | -                                | -                            |
|                | -                           | -                                | -                           | -                                            | -                                | -                            |
|                | -                           | -                                | -                           | -                                            | -                                | -                            |
| <b>2009</b>    |                             |                                  |                             |                                              |                                  |                              |
| Sam Di-Giacomo | -                           | N/A                              | -                           | -                                            | N/A                              | -                            |
| Richard Chan   | 12,526,721                  | N/A                              | 23,615,781                  | -                                            | N/A                              | 36,142,502                   |
| Kee Tang       | -                           | -                                | -                           | -                                            | -                                | -                            |
|                | -                           | -                                | -                           | -                                            | -                                | -                            |
|                | -                           | -                                | -                           | -                                            | -                                | -                            |
|                | -                           | N/A                              | -                           | -                                            | N/A                              | -                            |

#### iii. Other transactions with key management personnel of the Group

A company associated with Blair Sergeant provided office space and facilities from which the Group's parent entity was managed.

### (c) Transactions with other related parties

The loans to subsidiaries are unsecured, interest free, have no fixed repayment date and are subordinate to other liabilities. At 30 June 2010, all loans to Millepede US Inc and Millepede Marketing were impaired to Nil.

Transactions and balances between the company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

### (d) Parent entities

The ultimate parent entity in the Group is Millepede International Limited.

## 25. Remuneration of auditors

### Auditor of the parent entity

Audit or review of the financial report

### Other auditors

Auditing the financial report

Other non-audit services

|                                         | Consolidated |        | Company |        |
|-----------------------------------------|--------------|--------|---------|--------|
|                                         | 2010         | 2009   | 2010    | 2009   |
|                                         | \$           | \$     | \$      | \$     |
| Audit or review of the financial report | 24,401       | 25,725 | 24,401  | 25,725 |
|                                         | 24,401       | 25,725 | 24,401  | 25,725 |
| Auditing the financial report           |              | 14,500 | -       | -      |
| Other non-audit services                | -            | -      | -       | -      |
|                                         |              | 14,500 |         | -      |

The auditor of Millepede International Limited is Stantons International

**26. Subsequent events**

There has not been any 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.

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