

Annual Report 2011

Fluorotechnics Limited ABN 099 098 192



fluorotechnics 
naturally fluorescent

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A man may die, nations
may rise and fall, but
an idea lives on.

John F. Kennedy

Welcome to
Fluorotechnics
2011 Annual
Report.

Chairman's Letter

Dear Fellow Shareholders,

This annual report for Fluorotechnics Limited is its third as an ASX listed company.

The period covered by this report has been one of initial great expectations for sales growth, followed ultimately by a sad realisation that those sales expectations would not be met.

In June 2010 the Company had a significant number of opinion-leading scientists in Europe using Fluorotechnics' equipment.

By September 2010, the lead-time for making additional sales had not shown a significant improvement and the management could not be confident that the business could move into a breakeven cash flow position within a reasonable time frame. Accordingly, the hard but necessary decision was made to reduce costs, sell off assets and generally scale down operations to conserve the resources of the company.

As part of the scale down of operations and raising share and convertible note funding, the board of the company changed on 20 December 2010, such that Peter Bergquist, John Fletcher, Lars Eric Utterman and David Weber resigned and both myself and Dr Damian Pethica joined the board. Rick Taylor and James Walker remained on the board. Subsequently, James Walker retired at the AGM in May 2011 and did not seek re-election, I assumed the role of Managing Director and both Damian Pethica and Rick Taylor assumed the role of executive director.

As indicated in the announcements dated 20 December 2010, the company's focus has changed to that of a strategic acquisition. Through its enhanced networks the Company is well-positioned to maximise shareholder value through strategic acquisitions. The Board has received strong investor support regarding this new strategic direction.

As announced on 30 August 2011, the company is in negotiations on an acquisition opportunity in the resources sector. As a consequence, and for general working capital purposes generally, the company raised \$615,000 by way of a convertible note issue.

Yours Sincerely



Richard Trevillion
Chairman
30 September 2011

Fluorotechnics Limited Directors' report

30 June 2011

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Fluorotechnics Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

Directors

Unless indicated otherwise the following persons were directors of Fluorotechnics Limited during the whole of the financial year and up to the date of this report:

Richard Trevillion	(Appointed 20 December 2010)
Dr. Brian D Pethica	(Appointed 20 December 2010)
James Walker B.Com, FCA	(Resigned 4 May 2011)
Rick Taylor B.Econ., ACA	
Peter Bergquist M.Sc (Hons), Ph. D., D. Sc., FRSNZ	(Resigned 20 December 2010)
John Fletcher FCPA	(Resigned 20 December 2010)
Lars Utterman M.Sc, BA.	(Resigned 20 December 2010)
David Weber	(Resigned 20 December 2010)

Principal activities

Fluorotechnics was, at the commencement of the year, a global company that developed, manufactured and supplied products that enable Life Scientists to better measure biological processes. The products have applications in proteomics, genomics and cell biology and are routinely used in research, development, quality control and diagnostics.

Due to the company's resources Fluorotechnics scaled back its operations during the year and has sold or is looking to sell all of its biotech assets.

As announced on 30 August 2011, the company is in negotiations to acquire assets in the resource sector – the future focus will be on the resources sector.

Dividends

No dividends were paid or recommended to be paid to members during the financial year (2010: Nil)

Financial Result

This overview covers the year ended 30 June 2011 and significant matters that have occurred through to the date of this report.

During the 2011 financial year the revenue and other income from continuing operations for the company decreased from \$1.5 million to \$1.3 million. The loss for the year decreased by \$4.5 million, from \$6.9 million to \$2.4 million.

Review of operations

The period covered by this report has been one of initial great expectations for sales growth, followed ultimately by a sad realisation that those sales expectations would not be met.

At 30 June 2010 we had a significant number of opinion-leading scientists in Europe who were using our equipment. By September 2010, the lead-time for making additional sales had not shown a significant improvement and we could not be confident that the business could move into a breakeven cash flow position within a reasonable time frame.

Fluorotechnics Limited Directors' report (continued)

Review of operations (continued)

Accordingly, the Directors made the hard but necessary decision to reduce costs, sell off assets and generally scale down operations to conserve the resources of the company. An update of this process is as follows:

- Our USA subsidiary, Gel Company Inc, was sold on 5 October 2010 for US\$150,000. The disposal resulted in a loss to the group for 2011 of \$764,012 (2010 – loss of \$1,665,600).
- We have scaled back our sales, research and administrative functions of our German subsidiary and appointed Serva Electrophoresis GmbH our exclusive sales agent in Europe,
- Serva Electrophoresis GmbH acquired our gel and tower technology for €150,000 in January 2011, and
- We are only using contractors in our Australian operations.

As of the date of this report, we remain a manufacturer of gels through our German subsidiary and the owner of our protein dye technology, stocks of which are held at our manufacturing and storage facilities at College Street, Gladesville. A process has been commenced to place the German subsidiary into administration.

Loans from Directors

At 30 June 2011, the total amount of loans and accrued interest due to directors (current and former) was \$222,628. The lenders have each agreed that the amounts payable will not be paid until an acquisition related further fund raising has taken place.

Capital Raisings and Debt Funding

The company undertook a number of capital raisings during the 2011 financial year as follows:

- \$0.21m raised in December 2010 through a placement at 3 cents per share
- \$0.50 m debt funding raised in December 2010 through a convertible note issue (refer note 17 to the Financial Statements).

The company also issued 100 shares at \$1.00 per share under a cleansing prospectus in April 2011.

New Opportunities Going Forward

As part of the scale down of our operations and our last capital raising, the board of the company changed on 20 December 2010, such that Peter Bergquist, John Fletcher, Lars Eric Utterman and David Weber resigned and Richard Trevillion and Dr Brian Damien Pethica joined the board. Richard Trevillion assumed the role of Chairman and Rick Taylor and James Walker remained on the board. Subsequently Richard Trevillion also assumed the role of Managing Director and both Damian Pethica and Rick Taylor executive directors. James Walker retired at the AGM on 4 May 2011 and did not seek re-election.

As indicated in the announcements dated 20 December 2010, the company's focus has changed to that of a strategic acquisition. Through its enhanced networks the Company is well-positioned to maximise shareholder value through strategic acquisitions. The Board has received strong investor support regarding this new strategic direction.

Further, on 22 June, 2011 the company announced that it would focus on the resources sector and, on 30 August 2011, announced that it is in negotiations on an acquisition opportunity in the resources sector. As a consequence, and for working capital purposes generally, the company raised \$615,000 by way of a convertible note issue.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year, other than for matters discussed previously.

Fluorotechnics Limited Directors' report (continued)

Matters subsequent to the end of the financial year

On 30 August 2011, the company announced that it was in negotiations on an acquisition opportunity in the resources sector. As a consequence, and for working capital purposes generally, the company raised \$615,000 by way of a convertible note issue, details of which have been released to the ASX.

In addition a process has been commenced to place the German subsidiary into administration.

No other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Information on directors

Mr Richard Trevillion BSc (hons) Management Sciences, DipM MCIM, Solicitor

Chairman & Managing Director – appointed in December 2010

Member of Audit and Risk Committee and Member of Remuneration and Nomination Committee

Richard is the founder of Amity Partners and Adillion Pty Ltd, both principal financial investment and corporate consulting businesses. He previously served as Head of healthcare within the technology corporate finance group at Close Brothers Corporate Finance. He has not been a director of any other Australian listed company in the last three years.

Interests in shares and options

Ordinary shares	Nil
Share options	Nil

Dr Brian D Pethica M.A. (Oxon), M.B.B.S., F.F.P.M.

Executive Director – appointed in December 2010

Member of Audit and Risk Committee and Member of Remuneration and Nomination Committee

Dr Pethica worked for Ciba-Geigy in Basel, Switzerland, as a group head in the Medical Department, Pharmaceutical Division, then as Medical Director in New Zealand. Following the merger of Ciba-Geigy and Sandoz he was Medical Director of Novartis New Zealand. He subsequently joined Flemings in London as a biotechnology equities research analyst. After the acquisition of Flemings he was Vice President, Biotechnology Equity Research for Europe for JPMorgan Chase. He was Chairman of BrainZ Instruments Ltd (ASX: BZI) in 2008-9 and negotiated the sale of its assets to Natus Medical (NASDAQ: BABY). He has not been a director of any Australian listed company other than BrainZ Instruments Ltd in the last 3 years.

Dr. Pethica was educated at Oxford University (mathematics) and London University (medicine), and was in medical practice for over 7 years. He is a Fellow of the Faculty of Pharmaceutical Physicians, Royal College of Physicians, London and a current member of the Medicines Assessment Advisory Committee, New Zealand.

Interests in shares and options

Ordinary shares	Nil
Share options	Nil

Fluorotechnics Limited Directors' report (continued)

Mr Rick Taylor **B.Econ., ACA, MAICD**

Executive Director – appointed in March 2002

Member of Audit and Risk Committee and Member of Remuneration and Nomination Committee

He is a chartered accountant with 30 years experience and is a member of the Australian Institute of Company Directors.

He was formerly a tax partner for 20 years with Deloitte and its antecedent firms. In this role, he was a lead partner in structuring and advising on mergers and acquisitions, helping companies IPO and structuring funding arrangements across a broad range of industries.

He has strategy and management expertise gained from establishing and leading the Deloitte Australia Private Equity Team and from being a member of their National Tax Executive. For 4 consecutive years, Rick was voted one of Australia's top ten and recommended tax advisors in surveys conducted by the International Tax Review journal.

Rick is a director of Kresta Holdings Limited and was a director of Hunter Hall International Limited until he resigned on 29 April 2010. He has not been a director of any other Australian listed company in the last three years.

Interests in shares and options

Ordinary shares	2,454,555
Share options	Nil

Former Directors

Mr James Walker **B.Com., FCA**

Executive Director – appointed in March 2009 and resigned on 4 May 2011

James was appointed chief executive officer in March 2009. From the company's inception in July 2002 until this appointment he was the chief financial and operations officer. Prior to joining Fluorotechnics, James was CFO at Hotel Dynamic Group and has been the CFO at Biosignal, an ASX-listed company. As CFO of Hotel Dynamics, James was a key member of the management team that was responsible for a VC-backed management buy-out and subsequent trade sale to a Fortune 500 Company. James is a Fellow of the Institute of Chartered Accountants in Australia.

In the last three years James has not been a director of any other Australian listed company.

Mr Peter Bergquist **M.Sc (Hons), Ph. D., D. Sc., FRSNZ**

Non-Executive Director – appointed in July 2002 and resigned in December 2010

Member of Audit and Risk Committee

Peter has 40 years experience in the functional genomics of extremely thermophilic organisms and their exploitation as industrial biocatalysts. He has carried out contract research in the applications of industrial enzymes in the pulp and paper industry with Clariant Biotech R&D Corporation (Lexington, MA) and Gist-brocades (Delft, The Netherlands). He was a research director for Pacific Enzymes Ltd in New Zealand when it was owned by Shell Chemicals (UK). He is engaged in research on the rapid isolation and identification of microbial pathogens in water with the Environmental Biotechnology CRC in Sydney. He was Deputy Vice Chancellor (Research) at Macquarie University from 1994 to 2002 and is a Founding Scientist and Chief Scientific Officer for the Macquarie-based biotechnology start-up, Applimex Systems Pty Ltd, and a Founding Scientist of Pacific GEM Corporation in New Zealand (now ZyGEM), a small biotech company specializing in DNA extraction techniques for forensics and diagnostics.

In the last three years Peter has not been a director of any other Australian listed company.

Fluorotechnics Limited Directors' report (continued)

Mr John Fletcher FCPA

Non-Executive Director – appointed in March 2008 and resigned in December 2010
Chairman of the Audit Committee and member of the Remuneration Committee

John was amongst the first investors in Fluorotechnics in 2001 and joined the Board in March 2008. John spent most of his professional career with Brambles Industries Ltd culminating in his appointment as CEO in 1993, a position he held until his retirement in 2001. In September 2001, John was appointed CEO of the Coles Group and in November 2007 retired from this role following the acquisition of the retailer by Wesfarmers. John was also a non-executive Director of Telstra for 6 years. He is currently a Director of Midas Australia Pty Ltd as well as a Director of Intelligent Global Pooling Systems based in the United States. John is also a member of the Federal Government's Defence Strategic Reform Advisory Board.

Besides being a director of the Coles Group, John has not been a director of any other Australian listed company in the last three years.

Mr Lars Utterman M.Sc, BA.

Non-Executive Director – appointed in August 2009 and resigned in December 2010

Lars has over 30 years experience in sales and general management with biotechnology companies. He is currently acting as an advisor to life science companies and is chairman of Celectricon AB and Gyros AB and board member of Ludesi AB, all in Sweden. He is also a member of the board of LIVC Technologies GmbH in Germany. Most of Mr Utterman's career has been with Pharmacia/Amersham Biosciences/GE Healthcare. He started with Pharmacia in 1981 and by 2004 was Vice President Commercial Initiatives. From 2001 to 2003 he was in charge of the Proteomics business and for many years responsible for managing European sales.

In the last three years Lars has not been a director of any other Australian listed company.

Mr David Weber

Non-Executive Director – appointed in March 2008 and resigned in December 2010
Chairman of the Remuneration Committee

David has over 30 years experience leading successful teams in the life science industry. He is USA based and has a particular focus on sales and marketing. Currently David is the President of Weber & Associates, a life science consulting firm and previously served as Vice President, Life Science Practice for The Linus Group providing marketing expertise to leading life science companies. Formerly, David was President and CEO of Eksigent Technologies, an early stage proteomics tools company. Earlier in his career, David was Vice President Marketing and Business Development for Stratagene, a US\$100M molecular biology tools business and President of the Americas for Amersham Biosciences/GE Healthcare where he was responsible for revenues in excess of \$300M. David also served as Vice President, Marketing and Supplier Relations with Chemdex, a US\$100 M B2B e-commerce and enterprise procurement services pioneer.

In the last three years David has not been a director of any other Australian listed company.

Company secretary

Mr Ian Gilmour FCIS, CA, FAICD

Company Secretary – appointed in October 2008

Fellow of the Institute of Chartered Secretaries and Administrators, Associate of the Institute of Chartered Accountants in Australia and Fellow of Australian Institute of Company Directors

Ian was the company secretary of Goodman Fielder Limited from 1979 to 2003, Biosignal Ltd from 2004 to 2006 and Medical Therapies Ltd (now Cellmid Limited) from 2005 to 2007. Ian has also been a director and company secretary of Amazing Loans Ltd 2005 to 2007.

Fluorotechnics Limited Directors' report (continued)

Currently, director and company secretary of AQRB Pty Limited (formerly Audit Quality Review Board Ltd) and Company Secretary of National E-Conveyancing Development Ltd, Benthic Geotech Pty Ltd, IEG Holdings Limited and a consultant to Complispace Pty Ltd. With Chartered Secretaries Australia, Ian is a member of the NSW Council and a number of committees.

Besides being a director of Amazing Loans Ltd, Ian has not been a director of any other Australian listed company in the last three years.

Interests in shares

Ordinary shares 66,288

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2011, and the numbers of meetings attended by each director, were:

	Full meetings of directors		Meetings of committees			
	A	B	Audit		Remuneration	
			A	B	A	B
Richard Trevillion	18	18	1	1	-	-
Damian Pethica	18	18	1	1	-	-
Rick Taylor	22	26	4	4	1	1
James Walker	22	25	4*	0	1*	0
Peter Bergquist	8	8	3	3	*	*
John Fletcher	7	8	3	3	1	1
Lars Utterman	8	8	*	*	*	*
David Weber	8	8	*	*	1	1

A = Number of meetings attended.

B = Number of meetings held during the time the director held office or was a member of the committee during the year.

* = Not a member of the relevant committee

Share Options - Unissued Shares

As at the date of the report there were 539,063 unissued unlisted ordinary shares under option.

Date options granted	Expiry date	Issue price of shares	Number of options
28 February 2007	28 February 2012	\$0.55	39,063
31 October 2008	31 October 2011	\$1.00	500,000

Option holders do not have any right, by virtue of the option, to participate in any share issues of the company or any related body corporate.

Shares Issued on the Exercise of Options

No ordinary shares of Fluorotechnics Ltd were issued on the exercise of options during the year ended 30 June 2011. No further shares have been issued since that date.

Environmental Regulation and Performance

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply. It has determined that the risk of non-compliance is low and has not identified any compliance breaches during the year.

Fluorotechnics Limited Directors' report (continued)

Insurance of Officers

During the financial year, Fluorotechnics paid a premium of \$15,288 to insure the directors and officers of the company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Non-audit services

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

No amounts were paid or payable to the auditor for non-audit services provided during the year.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that with the provision of no non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the external auditor's independence was not compromised.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2011 - \$Nil (2010 – \$Nil).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 49.

Fluorotechnics Limited Directors' report (continued)

Remuneration report

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

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

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

A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

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

Based on the extensive experiences of the Board, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering an appropriate return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution

The Board has established a Remuneration and Nomination Committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of this committee.

Fluorotechnics Limited Directors' report (continued) Remuneration report (continued)

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board will, from time to time, consider the advice of independent remuneration consultants to ensure non-executive directors' fee and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chair is not present at any discussions relating to determination of his own remuneration.

Non-executive directors who were on the board at the time of the IPO have received share options which have now all lapsed.

Non executive directors' fees

The current base remuneration was set at the time of the IPO and was last reviewed in August 2009 and remains unchanged. The Chair's and other non-executive directors' fees are inclusive of committee fees.

Non-executive directors' fees are determined within an aggregate directors' fees pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$300,000 per annum and was approved by shareholders at the 2008 Annual General Meeting.

The following fees are applied:

	Annual fees
Chair	\$75,000
Other non-executive directors	\$50,000

As from 20 March 2011, the Chairman was appointed Managing Director and Damian Pethica and Rick Taylor were appointed executive directors and executive remuneration is paid or accruing for those executive roles. Consequently, no non-executive directors fees were paid from that date.

Retirement benefits for directors

The Board has resolved to not pay retirement benefits for non-executive directors.

Executive pay

The executive pay and reward framework for the year ended 30 June 2011 consisted of base pay and benefits, including retirement benefits.

The Group intends to revisit the incentives during the year ending 30 June 2012.

Base pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

These are no guaranteed base pay increases included in any executive contracts.

Benefits

Executives can receive benefits including health insurance and car allowances and tax advisory services.

Retirement benefits

Retirement benefits are delivered under the law of the local country where the executive is employed.

Fluorotechnics Limited Directors' report (continued)

Remuneration report (continued)

B Details of remuneration

Amounts of remuneration

Set out below are the details of the remuneration of the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) being:

	Short-term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Retirement benefits	Long service leave		Options**	
	\$	\$	\$	\$	\$	\$	\$	\$
2011								
<i>Non-executive directors *</i>								
D Pethica	12,501	-	-	-	-	-	-	12,501
R Taylor	12,501	-	-	-	-	-	1,478	13,979
R Trevillion	18,750	-	-	-	-	-	-	18,750
P Bergquist	-	-	-	-	-	-	(7,850)	(7,850)
J Fletcher	-	-	-	-	-	-	(7,850)	(7,850)
L Utterman	-	-	-	-	-	-	-	-
D Weber	-	-	-	-	-	-	(7,850)	(7,850)
Total non-executive directors	43,752	-	-	-	-	-	(22,072)	21,680
<i>Executive Directors</i>								
R Trevillion	55,890	-	-	-	-	-	-	55,890
R Taylor	27,945	-	-	-	-	-	-	27,945
D Pethica	27,945	-	-	-	-	-	-	27,945
J Walker	109,332	-	-	19,311	25,995	91,743	5,551	251,932
Total executive directors	221,112	-	-	19,311	25,995	91,743	5,551	363,712
Total key management personnel	264,864	-	-	19,311	25,995	91,743	(16,521)	385,392

* During the 2010 year all directors agreed to defer payment of their fees until a later date. At 30 June 2010 the equivalent of seven months of director fees were owing to the directors. These amounts have been accrued and expensed during the year ended 30 June 2010. The amounts disclosed in the table above are remuneration of the non-executive directors that were not forgiven during the year.

During the year ended 30 June 2011, certain amounts owing to non-executive directors were forgiven by the respective directors. The amounts forgiven were as follows:

	Accrued and expensed during year ended 30 June 2010	Accrued and expensed during the year ended 30 June 2011	Total accrued, subsequently forgiven during year ended 30 June 2011
	\$	\$	\$
R Taylor	46,987	18,750	65,737
P Bergquist	29,167	12,500	41,667
J Fletcher	29,167	12,500	41,667
L Utterman	22,917	12,500	35,417
D Weber	29,202	12,465	41,667
	157,440	68,715	226,155

Fluorotechnics Limited Directors' report (continued)

Remuneration report (continued)

**Credit (negative) amounts recorded as remuneration represent cancellation of options where director did not satisfy vesting conditions that are not market conditions.

Short-term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments	Total
Cash salary and fees	Cash bonus	Non-monetary benefits	Retirement benefits	Long service leave		Options	
\$	\$	\$	\$	\$	\$	\$	\$

2010

*Non-executive directors **

R Taylor	75,000	-	-	-	-	-	5,318	80,318
P Bergquist	50,000	-	-	-	-	-	2,954	52,954
J Fletcher	50,000	-	-	-	-	-	2,954	52,954
L Utterman	41,667	-	-	-	-	-	-	41,667
D Weber	50,000	-	-	-	-	-	2,954	52,954

Total non-executive directors

	266,667	-	-	-	-	-	14,180	280,847
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Executive director & CEO

J Walker	183,486	-	-	16,514	3,167	-	19,971	223,138
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Specified executives

G Thesseling	171,613	-	-	10,248	-	-	19,971	201,832
G Richardson	173,484	-	-	6,274	-	-	-	179,758
D Veal	169,552	-	-	10,248	4,390	-	24,195	208,385

Total executive director and specified executives

	698,135	-	-	43,284	7,557	-	64,137	813,113
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Total key management personnel compensation

	964,802	-	-	43,284	7,557	-	78,317	1,093,960
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Fluorotechnics Limited Directors' report (continued)

Remuneration report (continued)

For the 2011 financial year, the target and actual remuneration mix disclosed in this report is as follows:

	2011					
	Fixed remuneration		At risk - STI		At risk - LTI	
	Actual	Target	Actual	Target	Actual	Target
<i>Executive and non - executive directors</i>						
R Trevillion	100%	100%	0%	0%	0%	0%
D Pethica	100%	100%	0%	0%	0%	0%
J Walker	98%	100%	0%	0%	2%	0%
R Taylor	96%	100%	0%	0%	4%	0%
P Bergquist	100%	100%	0%	0%	0%	0%
J Fletcher	100%	100%	0%	0%	0%	0%
L Utterman	100%	100%	0%	0%	0%	0%
D Weber	100%	100%	0%	0%	0%	0%

C Service agreements

As at 30 June 2011 the group has no non-executive directors. The only key management personnel are three executive directors – Richard Trevillion, Rick Taylor and Damian Pethica. There are no service agreements in place for directors. The directors resolved that, from 20 March 2011, annual remuneration of the directors is set at:

R Trevillion	\$200,000
D Pethica	\$100,000
R Taylor	\$100,000

D Share-based compensation

Options

30 June 2011

As a result of either resignation or non-achievement of the 2011 performance hurdles, all executive and director options did not vest and lapsed during the year such that the number of executive and director options on issue as at 30 June 2011 was Nil.

Details of the options that lapsed during the year are as set out in the table under “30 June 2010” below.

Fluorotechnics Limited Directors' report (continued)

Remuneration report (continued)

30 June 2010

	Total Granted Number	Vested Number	Unvested Number	Grant Date	Value per Option at Grant Date	Exercise Price per Share	First Exercise Date	Last Exercise Date
<i>Non-executive directors</i>								
R Taylor	72,000	-	72,000	Dec 08	\$0.0706	\$1.00	on vesting	4 Dec 2013
	72,000	-	72,000	Dec 08	\$0.0907	\$1.00	on vesting	4 Dec 2013
	36,000	-	36,000	Dec 08	\$0.1109	\$1.00	on vesting	4 Dec 2013
P Bergquist	40,000	-	40,000	Dec 08	\$0.0706	\$1.00	on vesting	4 Dec 2013
	40,000	-	40,000	Dec 08	\$0.0907	\$1.00	on vesting	4 Dec 2013
	20,000	-	20,000	Dec 08	\$0.1109	\$1.00	on vesting	4 Dec 2013
J Fletcher	40,000	-	40,000	Dec 08	\$0.0706	\$1.00	on vesting	4 Dec 2013
	40,000	-	40,000	Dec 08	\$0.0907	\$1.00	on vesting	4 Dec 2013
	20,000	-	20,000	Dec 08	\$0.1109	\$1.00	on vesting	4 Dec 2013
L Utterman	-	-	-					
D Weber	40,000	-	40,000	Dec 08	\$0.0706	\$1.00	on vesting	4 Dec 2013
	40,000	-	40,000	Dec 08	\$0.0907	\$1.00	on vesting	4 Dec 2013
	20,000	-	20,000	Dec 08	\$0.1109	\$1.00	on vesting	4 Dec 2013
<i>Executive director & CEO</i>								
J Walker	270,400	-	270,400	Dec 08	\$0.0706	\$1.00	on vesting	4 Dec 2013
	270,400	-	270,400	Dec 08	\$0.0907	\$1.00	on vesting	4 Dec 2013
	135,200	-	135,200	Dec 08	\$0.1109	\$1.00	on vesting	4 Dec 2013
<i>Specified executives</i>								
G Thesseling	270,400	-	270,400	Dec 08	\$0.0706	\$1.00	on vesting	4 Dec 2013
	270,400	-	270,400	Dec 08	\$0.0907	\$1.00	on vesting	4 Dec 2013
	135,200	-	135,200	Dec 08	\$0.1109	\$1.00	on vesting	4 Dec 2013
G Richardson	-	-	-					
D Veal	327,600	-	327,600	Dec 08	\$0.0706	\$1.00	on vesting	4 Dec 2013
	327,600	-	327,600	Dec 08	\$0.0907	\$1.00	on vesting	4 Dec 2013
	163,800	-	163,800	Dec 08	\$0.1109	\$1.00	on vesting	4 Dec 2013

Options granted under the option plan carry no dividend or voting rights.

No options over ordinary shares in the company were provided as remuneration to any director of Fluorotechnics Limited or any of the key management personnel of the parent entity and the Group during 2011 (2010 – Nil).

Shares provided on exercise of remuneration options

No ordinary shares in the company have been issued as a result of the exercise of remuneration options to each director of Fluorotechnics Limited and other key management personnel of the Group.

Employee share scheme

None of the directors of Fluorotechnics Limited, other key management personnel of the Group or the Group company secretary are eligible to participate in the company's employee share scheme.

Fluorotechnics Limited Directors' report (continued)

Remuneration report (continued)

E Additional information

Loans to directors and executives

No loans have been provided to directors or executives.

Loans from directors

Loans from current and former directors as at 30 June 2011 are as follows:

	\$
R Taylor	31,816
J Fletcher	159,078
D Weber	31,734
	<u>\$222,628</u>

The loans are secured and the amount owing has been calculated at a capped amount of \$222,628. Further information is disclosed in note 26 to the financial report.

Details of remuneration: cash bonuses and options

There were no cash bonuses paid or accrued and no options issued during the year ended 30 June 2011.

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



Richard Trevillion

Director

Sydney
30 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Note	Consolidated June 2011 \$	Consolidated June 2010 \$
CONTINUING OPERATIONS			
Revenue and other income			
Sales of goods		1,035,042	1,345,418
Royalties and licences		2,085	6,070
Grant revenue	7	-	165,486
Finance revenue		7,055	5,330
Other income		265,353	-
		<u>1,309,535</u>	<u>1,522,304</u>
Expenses			
Cost of goods sold		(1,479,733)	(1,690,249)
Research and development		(299,050)	(633,519)
Intellectual property		(40,839)	(106,117)
Marketing and business development		(448,858)	(1,360,446)
Corporate and administration		(784,428)	(1,614,783)
Finance costs		(19,515)	(18,046)
(Impairment loss) reversal of impairment loss		124,574	(1,390,909)
Loss before income tax		<u>(1,638,314)</u>	<u>(5,291,767)</u>
Income tax benefit	8	-	46,468
Loss from continuing operations		<u>(1,638,314)</u>	<u>(5,245,299)</u>
Loss from discontinued operations	16	<u>(764,012)</u>	<u>(1,665,600)</u>
Loss for the year		<u>(2,402,326)</u>	<u>(6,910,899)</u>
Other Comprehensive Income			
Exchange differences on translation of foreign operations		656,631	(65,877)
Total comprehensive loss for the year		<u>(1,745,695)</u>	<u>(6,976,776)</u>
Earnings per Share			
Basic loss per share (cents) from continuing operations	9	(3.2)	(15.9)
Diluted loss per share (cents) from continuing operations	9	(3.2)	(14.5)
Basic loss per share (cents) from discontinued operations	9	(1.5)	(5.1)
Diluted loss per share (cents) from discontinued operations	9	(1.5)	(4.6)

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	Note	Consolidated	
		June 2011	June 2010
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	10	191,639	899,639
Trade and other receivables	11	83,796	721,371
Inventories	13	-	822,290
Other assets	12	-	127,171
Total Current Assets		275,435	2,570,471
Non-Current Assets			
Property, plant and equipment	14	-	37,813
Intangible assets	15	-	223,286
Other assets	12	30,468	32,666
Total Non-current Assets		30,468	293,765
TOTAL ASSETS		305,903	2,864,236
LIABILITIES			
Current Liabilities			
Trade and other payables	19	550,171	1,447,712
Borrowings	17	722,628	366,145
Employee entitlements	20	17,876	317,091
Total Current Liabilities		1,290,675	2,130,948
Non-Current Liabilities			
Employee entitlements	20	-	36,557
Total Non-Current Liabilities		-	36,557
TOTAL LIABILITIES		1,290,675	2,167,505
NET ASSETS		(984,772)	696,731
EQUITY			
Contributed equity	21	18,796,705	18,591,605
Reserves	22	469,131	20,602
Accumulated losses	24	(20,250,608)	(17,915,476)
TOTAL EQUITY		(984,772)	696,731

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Contributed equity	Foreign currency translation reserve	Share based payments reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2009	13,972,439	(244,923)	960,085	(11,004,577)	3,683,024
Total comprehensive income for the year	-	(65,877)	-	(6,910,899)	(6,976,776)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	4,619,166	-	-	-	4,619,166
Share options expensed	-	-	78,317	-	78,317
Share based credits (debits) for earn out shares	-	-	(707,000)	-	(707,000)
Balance at 30 June 2010	<u>18,591,605</u>	<u>(310,800)</u>	<u>331,402</u>	<u>(17,915,476)</u>	<u>696,731</u>
Comprehensive income for the year, excluding transfer of foreign exchange difference on sale of Gel Company Inc.	-	59,073	-	(1,804,768)	(1,745,695)
Foreign exchange difference relating to Gel Company Inc. transferred from foreign currency translation reserve to profit or loss	-	597,558	-	(597,558)	-
Total comprehensive income for the year	-	656,631	-	(2,402,326)	(1,745,695)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	205,100	-	-	-	205,100
Share options expensed	-	-	7,029	-	7,029
Transferred to profit or loss on cancellation of options	-	-	(147,937)	-	(147,937)
Transferred to accumulated losses on cancellation of options	-	-	(67,194)	67,194	-
Balance at 30 June 2011	<u>18,796,705</u>	<u>345,831</u>	<u>123,300</u>	<u>(20,250,608)</u>	<u>(984,772)</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

	Note	June 2011 \$	Consolidated June 2010 \$
Cash Flows from Operating Activities			
Receipts from customers		1,733,558	3,247,609
Receipts from grant providers		-	169,789
Payments to suppliers and employees		(3,310,805)	(8,013,826)
Interest received		7,055	5,330
Income tax received		-	76,671
		<u> </u>	<u> </u>
Net Cash Flows Used in Operating Activities	25	<u>(1,570,192)</u>	<u>(4,514,427)</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		-	(8,324)
Development costs		-	(245,046)
Proceeds from sale of business, net of cash disposed of	16	102,712	-
Proceeds from sale of intellectual property		204,380	-
		<u> </u>	<u> </u>
Net Cash Flows From (Used in) Investing Activities		<u>307,092</u>	<u>(253,370)</u>
Cash Flows from Financing Activities			
Proceeds from issue of securities		210,100	4,668,964
Share issue transaction costs		(5,000)	(49,798)
Proceeds from borrowings		500,000	350,000
Repayment of borrowings		(150,000)	-
		<u> </u>	<u> </u>
Net Cash Flows from Financing Activities		<u>555,100</u>	<u>4,969,166</u>
Net increase (decrease) in cash and cash equivalents		(708,000)	201,369
Opening cash and cash equivalents		899,639	698,270
		<u> </u>	<u> </u>
Cash and cash equivalents at year end	10	<u>191,639</u>	<u>899,639</u>

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

1. CORPORATE INFORMATION

The financial report of Fluorotechnics Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 30 September 2011. The directors have the power to amend and re-issue the financial report.

Fluorotechnics Limited is a public company limited by shares, incorporated in Australia. Its registered office is at Unit 3, 43-51 College Street, Gladesville NSW 2111.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

This financial report covers the consolidated entity consisting of Fluorotechnics Limited and its subsidiaries. The financial report is presented in the Australian currency.

The Group's principal activities during the year include the sales and manufacture of innovative consumables and equipment that enable scientists to better measure biological processes using fluorescence for the global biotechnology and diagnostic markets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Comparative amounts have been reclassified where appropriate to enhance comparability.

(b) Going Concern

For the year ended 30 June 2011, the Group incurred a loss after income tax of \$2,402,326. At 30 June 2011, the Group had an excess of current liabilities over current assets of \$1,015,240 and deficiency of net assets of \$984,772.

On 30 August 2011, the company announced that it was in negotiations on an acquisition opportunity in the resources sector. As a consequence, and for working capital purposes generally, the company raised \$615,000 by way of a convertible note issue. Further details are available at Note 29.

Current forecasts prepared by management indicate that the consolidated entity has, at the date the directors signed the Directors' Declaration on page 48, sufficient cash to pay its debts as and when they fall due. However, these forecasts anticipate that the Group will have spent all available cash by January 2012.

As indicated at Note 29, Fluorotechnics Limited is looking at new investment opportunities. Although the directors are confident that they will find a new investment opportunity that will generate future cash inflow through the receipt of additional debt or equity funds, other than the \$615,600 raised by way of convertible note issue, no additional debt or equity funding has been received prior to the date the directors signed the Directors' Declaration on page 48.

Accordingly, the Group currently does not have sufficient cash to allow the Group to continue as a going concern for at least 12 months following the date the directors signed the Directors' Declaration on page 48.

Under Australian Auditing Standards, financial statements are prepared on the going concern basis when the entity is expected to:

- (a) be able to pay its debts as and when they fall due; and
- (b) continue in operation without any intention or necessity to liquidate or otherwise wind up its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Going Concern (continued)

Given the above, it is possible that the consolidated entity may be required to liquidate or otherwise wind up its operations prior to 30 June 2012. Accordingly, the financial report has been prepared on a realisation basis rather than a going concern basis. The realisation basis assumes that the consolidated entity is not expected to continue as a going concern. The carrying values of assets and liabilities in the financial statements are based on current estimates of recoverable amounts.

(c) Compliance with International Financial Reporting Standards (IFRS)

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001.

Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

(d) Principles Of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Fluorotechnics Limited as at 30 June 2011 and the results of all subsidiaries for the year then ended. Fluorotechnics Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 2(e)).

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

(e) Business Combinations

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Business Combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 2 (g)). If the cost of acquisition is less than the Group's share of the fair value of identifiable net assets of the subsidiary acquired, the difference is recognised directly in profit or loss, but only after a reassessment of the identification and measurement of the net assets acquired.

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

(f) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 5 years

(g) Intangible Assets

Goodwill on Consolidation

Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which is 5 years.

Acquired both separately and as part of a business combination

Intangible assets acquired separately are capitalised at cost and intangible assets acquired as part of 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.

Where amortisation is charged on assets with finite lives, this expense is taken to profit or loss through the corporate and administration expenses.

Other than capitalised development costs (see above), intangible assets created within the business are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible Assets (continued)

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of intangibles with an indefinite life 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.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(h) Foreign currency translation

Both the functional and presentation currency of the Group is Australian dollars (A\$). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction.

Amounts payable to or by the Group in foreign currency have been translated into Australian currency at the exchange rates current at balance date. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

Group companies

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

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

When a foreign operation is sold, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials - purchase cost on a first-in, first-out basis.

Finished goods and work in progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trade and Other Receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(l) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(m) Trade and Other Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(n) Employee Benefits

i) *Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in employee entitlements in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

ii) *Long service leave*

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised and measured in accordance with (i) above.

The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in employee entitlements and is measured based on remuneration rates current as at balance date for all employees with five or more years of service.

The directors believe that this method provides an estimate of the liability that is not materially different from the estimate that would be obtained by using the present value basis of measurement.

(o) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(p) Share-based Payment Transactions

The Group provides benefits to employees (including directors) of the Group in the form of share based payments, 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 by an external valuer using a binomial model, further details of which are given in note 23. The fair value is measured at grant date.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Share-based Payment Transactions (continued)

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 as it is included in the determination of fair value at grant date. The fair value of options excludes the impact of any non-market vesting conditions (for example, profit, sales and sales growth targets.) Non-market vesting conditions are included in assumptions about the number of options that are expected to be exercisable.

At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefits expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

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

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.

(q) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

(r) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sales of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit and loss over the expected useful life of the relevant asset by equal annual instalments.

Interest

Interest is recognised as it accrues, using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax

The income tax expense or revenue for the period is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred income tax is provided at the balance sheet date on all temporary differences 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.

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 substantially enacted at the balance sheet date.

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

Income taxes relating to items recognised directly in equity are recognised in equity.

(t) Other taxes

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Other Taxes (continued)

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

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

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it related.

Convertible notes, which are convertible to equity at the option of the holder of the convertible note on a specific date, are classified as liabilities.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been distinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issued equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The assessment of directors of the Group is that these new standards and interpretations (to the extent relevant to Group) will have no material impact on the financial report of the Group.

(w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers have been identified as the Executive Directors.

(x) Critical accounting policies and judgments

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 experience 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 accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group holds the following financial instruments:

	Consolidated	
	2011	2010
	\$	\$
Financial Assets		
Cash and cash equivalents	191,639	899,639
Trade and other receivables – current	83,796	721,371
	<u>275,435</u>	<u>1,621,010</u>
Financial Liabilities		
Trade and other payables	550,171	1,447,712
Borrowings	722,628	366,145
	<u>1,272,799</u>	<u>1,813,857</u>

The Group's activities expose it to a variety of financial risks; market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group.

The Group does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge risk exposures.

The Group has policies in place to manage these risks. Risk management is the responsibility of the Managing Director, under guidelines set by the Board. The Board monitors cash management at each meeting. Financial risk management is reviewed annually as part of the group's broader risk management processes.

(a) Market Risk

The Group's market risk exposure is monitored on an ongoing basis by the Managing Director in accordance with parameters set by the board. There has been no change in this approach from the previous period.

(i) Foreign Currency Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency.

Management has set up a policy requiring group companies to manage their foreign exchange risk against their functional currency.

At year end the Group held US dollar bank accounts totalling A\$2,388 (2010 - A\$169,634) in funds and Euro bank account overdrafts totalling A\$29,015 (2010 – A\$3,680 in funds).

3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Total receivables at year end were held in the following currencies (AUD equivalent):

	Consolidated	
	2011	2010
	\$	\$
Australian Dollars	784	8,799
US Dollars	16,464	252,635
European Union Euros	25,800	280,864
Total trade receivables	43,048	542,298
Australian Dollars	19,642	46,468
US Dollars	-	13,118
European Union Euros	21,106	119,487
Total other receivables	40,748	179,073
Total trade and other receivables	83,796	721,371

Total payables at year were held in the following currencies (AUD equivalent):

	Consolidated	
	2011	2010
	\$	\$
Australian Dollars	93,695	398,487
US Dollars	-	514,211
European Union Euros	116,724	213,789
South Korean WON	-	239
Total trade payables	210,419	1,126,726
Australian Dollars	189,134	103,264
US Dollars	-	14,608
European Union Euros	150,618	203,114
Total other payables	339,752	320,986
Total trade and other payables	550,171	1,447,712

There were no other foreign currency monetary assets or liabilities held by the Group.

(ii) *Foreign Currency Sensitivity*

Based on the financial instruments held at 30 June 2011, had the Australian dollar weakened/strengthened by 10% against any other currency, including the US dollar or Euro, there would not be a material impact on the Group's post-tax profit for the year (2010 – no material impact).

(iii) *Price Risk*

The Group is not exposed to price risk, including exposure to commodity and equity securities price risk.

(iv) *Interest Rate Risk*

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and term deposit holdings. The Group's policy is to manage its interest revenue using a mix of fixed and variable rates. The Group's policy is to keep any cash excess to immediate working capital requirements in term deposits maturing every 30, 60 and 90 days. As at reporting date the Group had the following cash and term deposit holdings:

3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Consolidated	Fixed / Floating Interest Rate		Weighted Average Effective Interest Rate	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cash	191,639	899,639	1.95%	3.15%

(v) *Interest Rate Sensitivity*

During the year ended 30 June 2011, if interest rates had changed by +/- 80 basis points from the prevailing rates, with all other variables held constant there would not be a material impact on the Group's post tax profit for the year (2010 – no material impact).

(b) Credit Risk

Credit risk for the Group is associated with deposits with banks and exposure to customers. For banks, only independently rated parties with a minimum rating of 'A' are accepted. Customer sales are generally made on 30 to 60 day settlement terms.

The Group policy is to trade only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group assesses their credit quality, taking into account their financial position, past experience and other factors.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as shown at the start of this note.

The Group invests surplus funds only with banks approved by the board. Currently funds are held with two (2010: four) different banks. Otherwise there are no significant concentrations of credit risk within the Group. Since the Group trades only with recognised third parties, there is no requirement for collateral.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The group has not experienced any default event in respect of its cash or receivables instruments.

There has been no change in this approach from the previous period.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	Consolidated	
	2011	2010
	\$	\$
Cash at Bank & Short Term Deposits		
<u>AA rating per S & P</u>		
Commonwealth Bank of Australia	220,654	738,519
<u>A rating per S & P</u>		
Comerica	-	150,351
Bank of America	-	11,521
Deutsche Bank	(29,015)	(752)
Total	191,639	899,639

3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 30 June 2011, trade receivables of \$10,486 (2010 \$134,585) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

Up to 3 months	-	134,585
6 to 9 months	10,486	-
	<u>10,486</u>	<u>134,585</u>

(c) **Liquidity Risk**

The Group relies on surplus cash holdings to fund its working capital needs. Any surplus cash not required to meet immediate working capital needs is invested in 30, 60 or 90 day bank term deposits as appropriate.

The subsidiary Gelcompany GmbH has an informal overdraft facility and at year end, \$29,015 of this facility was used. The overdraft is not secured and is on a temporary basis as agreed with the Deutsche Bank. The only financial liabilities are trade and other payables which are typically payable in accordance with normal commercial terms, and loans provided by certain directors and former directors to the company (Note 26).

The Managing Director ensures that sufficient funds are on hand to meet short term commitments to pay creditors. The board is apprised regularly of forecast cash demands and the ability of the group to meet those demands from its cash reserves.

There has been no change in this approach from the previous period.

4. DIVIDENDS

No amounts have been paid, declared or recommended by the company by way of dividend since the commencement of the year (2010 nil). The franking account balance is \$Nil (2010: \$Nil).

5. SEGMENT INFORMATION

The consolidated entity operates in the global biotechnology and diagnostic consumables market.

(a) **Description of segments**

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Group segments its business based upon geographical locations. Each location engages in business activities from which it earns revenues and incurs expenses, and whose operating results are reviewed by the Executive Directors.

Each reporting segment derives its revenue from the sales, manufacture and development of consumables and equipment.

As described in Note 16 the business operating in the USA segment was sold in September 2010.

(b) **Segment Revenue**

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Executive Director's is measured in a manner consistent with that in the statement of comprehensive income.

Revenues from external customers are derived from the sale of the products mentioned above in Note 5(a). An analysis of revenue and results is provided in the tables below.

The company is domiciled in Australia. The result of its revenue from external customers in Australia and Asia is \$227,883 (2010 - \$243,120), and the total revenue from external customers in other countries is \$807,159 (2010 - \$3,061,902). Segment revenues are allocated based on the country in which the customer is located.

5. SEGMENT INFORMATION (CONTINUED)

(c) Segment Assets

The amounts provided to the Executive Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

(d) Segment liabilities

The amounts provided to the Executive Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

(e) Segment information presented to the Executive Directors

	USA \$	Europe \$	Asia-Pacific \$	Corporate / Head office \$	Consolidated \$
2011					
Sales to external customers	-	807,159	227,883	-	1,035,042
Other revenue and income	-	250,170	15,183	9,140	274,493
Total segment revenue	-	1,057,329	243,066	9,140	1,309,535
Segment expenses		(2,070,278)	(218,410)	(659,161)	(2,947,849)
Loss from Discontinued Operations	(166,454)	-	-	-	(166,454)
Foreign currency loss from discontinued operations	(597,558)	-	-	-	(597,558)
Segment result	(764,012)	(1,012,949)	24,656	(650,021)	(2,402,326)
Income tax credits	-	-	-	-	-
Consolidated loss after income tax	(764,012)	(1,012,949)	24,656	(650,021)	(2,402,326)
Segment assets	-	2,216	33,936	269,751	305,903
Segment liabilities	-	285,218	112	1,005,345	1,290,675
2010					
Sales to external customers	1,880,060	1,181,842	243,120	-	3,305,022
Other revenue and income	4,303	146,312	30,574	-	181,189
Total segment revenue	1,884,363	1,328,154	273,694	-	3,486,211
Segment expenses	(2,375,651)	(2,624,030)	(482,951)	(2,532,060)	(8,014,692)
Segment impairment loss	(1,105,479)	(1,187,088)	(136,319)	-	(2,428,886)
Segment result	(1,596,767)	(2,482,964)	(345,576)	(2,532,060)	(6,957,367)
Income tax credits	-	-	46,468	-	46,468
Consolidated loss after income tax	(1,596,767)	(2,482,964)	(299,108)	(2,532,060)	(6,910,899)
Segment assets	1,748,799	539,321	576,116	-	2,864,236
Segment liabilities	581,521	627,895	958,089	-	2,167,505

The 2010 reported figures included the results of discontinued operations.

6. SUBSIDIARIES

Ultimate Parent Entity

Fluorotechnics Limited is the ultimate parent company of the Group.

Subsidiaries

The subsidiaries of Fluorotechnics Limited are:

	Incorporated	% Owned 30 June 2011	% Owned 30 June 2010
Gelcompany GmbH	Germany	100%	100%
Gel Company Pty Limited	Australia	100%	100%
Gelcompany Inc	USA	-	100%

Refer to note 16 for details of the sale of Gel Company Inc.

7. REVENUE AND EXPENSES

	Consolidated	
	2011	2010
	\$	\$
(a) Grant Income		
Government grants – Australia	-	14,871
Government grants – Germany	-	150,615
	-	165,486

An Australian Commonwealth Government grant has been received in relation to the Group's Australian export activities. A Germany Federal Government grant has been received in relation to product development activities. Contingencies attaching to these grants are explained in Note 28.

	Consolidated	
	2011	2010
	\$	\$
(b) Employee benefits expense		
Wages and salaries	892,707	3,419,323
Movement in employee allowances and entitlements	(98,812)	165,749
Superannuation	40,017	73,905
Other	92,805	93,150
	926,717	3,752,127
(c) Other expenses		
Foreign exchange losses	17,044	22,508
Rental expenses relating to operating leases	93,597	206,211

8. INCOME TAX

Reconciliation of Income Tax Expense to Prima Facie Tax Payable:

	Consolidated	
	2011	2010
	\$	\$
Loss before income tax including discontinued operations	(2,402,326)	(6,957,367)
Tax (benefit) at the Australian tax rate of 30%	(720,698)	(2,087,210)
Add tax effect of:		
Impairment loss non-allowable	-	49,471
Other non-allowable items	(48,863)	550
Less tax effect of:		
Refund of income tax relating to R & D claim in the year	-	(46,468)
Deferred Tax Asset not brought to account	769,561	2,037,189
	<u>-</u>	<u>(46,468)</u>

(a) Income Tax Losses

The Group has tax losses arising in Australia of \$6,426,268 (2010: \$5,548,821) that are available for offset against taxable profits of the company in which those losses arose. The tax losses arising in Germany are not accessible to the group.

The deferred tax asset of \$1,927,880 (2010: \$1,664,046) not brought to account will only be obtained if:

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) the company is able to meet the continuity of business test and/or continuity of ownership.

(b) Franking Credits

The Company has no franking credits available for distribution as no income tax has been paid to date.

9. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options, if any).

	Consolidated	
	2011	2010
	\$	\$
Loss after income tax from continuing operations	(1,638,314)	(5,245,299)
Loss after income tax form discontinued operations	<u>(764,012)</u>	<u>(1,665,600)</u>
	<u>(2,402,326)</u>	<u>(6,910,899)</u>

9. EARNINGS PER SHARE (CONTINUED)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share:		
Effect of dilutive securities	50,849,166	32,942,176
	<u>539,063</u>	<u>3,190,063</u>
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share.	<u>51,388,229</u>	<u>36,132,239</u>
Basic earnings (loss) per shares (cents) from continuing operations	(3.2)	(15.9)
Diluted earnings (loss) per share (cents) from continuing operations	(3.2)	(14.5)
Basic earnings (loss) per shares (cents) from discontinued operations	(1.5)	(5.1)
Diluted earnings (loss) per share (cents) from discontinued operations	(1.5)	(4.6)

10. CASH AND CASH EQUIVALENTS

	Consolidated	
	2011	2010
	\$	\$
Cash at bank	191,639	899,639
	<u>191,639</u>	<u>899,639</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

11. TRADE AND OTHER RECEIVABLES

Current

Trade receivables	43,048	542,298
Other receivables	40,748	179,073
	<u>83,796</u>	<u>721,371</u>

12. OTHER ASSETS

Prepayments and other assets		
Current	-	127,171
Non-Current	30,468	32,666
	<u>30,468</u>	<u>159,837</u>

13. INVENTORIES

At cost	64,377	1,359,658
Less: Allowance for impairment	(64,377)	(271,457)
Less: Write down of stock on sale at Gel Company Inc. (Note 16)	-	(265,911)
	<u>-</u>	<u>822,290</u>

14. PROPERTY, PLANT & EQUIPMENT

	Consolidated	
	2011	2010
	\$	\$
Plant and equipment		
At cost	54,325	732,078
Accumulated depreciation	-	(492,728)
Accumulated impairment	(54,325)	(201,537)
Total property, plant & equipment	<u>-</u>	<u>37,813</u>

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year:

Carrying amount at beginning	37,813	257,155
Acquisitions	-	8,324
Disposals	(1,866)	-
Depreciation	(9,622)	(26,129)
Impairment	(26,325)	(201,537)
Net carrying amount	<u>-</u>	<u>37,813</u>

15. INTANGIBLE ASSETS

Patents at Cost	65,706	65,706
Accumulated amortisation	(26,989)	(26,989)
Accumulated impairment	(38,717)	(32,861)
Total Patents	<u>-</u>	<u>5,856</u>
Non-fluorescent gel technology at Cost	-	686,557
Accumulated impairment	-	(577,854)
Total Intellectual Property	<u>-</u>	<u>108,703</u>
Capitalised Development costs	-	245,046
Accumulated amortisation	-	(24,546)
Accumulated impairment	-	(111,773)
Total Development costs	<u>-</u>	<u>108,727</u>
Contracts at cost	191,580	191,580
Accumulated Impairment	(191,580)	(191,580)
Total Contracts	<u>-</u>	<u>-</u>
Goodwill at Cost	-	2,289,337
Accumulated impairment	-	(2,289,337)
Total Goodwill	<u>-</u>	<u>-</u>
Total Intangible Assets	<u>-</u>	<u>223,286</u>

15. INTANGIBLE ASSETS (CONTINUED)

	Consolidated	
	2011	2010
	\$	\$
Reconciliation of the carrying amounts of Intangible Assets at the beginning and end of the current financial year:		
Carrying amount at beginning	223,286	2,416,000
Capitalising development costs	-	245,046
Amortisation of development costs	-	(24,546)
Purchase (reduction) of goodwill	-	(707,000)
Amortisation of patents	-	(16,233)
Foreign exchange losses	(18,906)	-
Sale of gel and HPE technology	(204,380)	-
Impairment loss	-	(1,689,981)
Net carrying amount	<u>-</u>	<u>223,286</u>

All intangibles were written to their recoverable amount at 30 June 2010. Other than foreign exchange losses of \$18,906 the remaining \$204,380 was received in cash during the year ended 30 June 2011 upon the sale of the intangibles.

16. DISCONTINUED OPERATIONS

On 29 September 2010 Fluorotechnics sold 100% of the issued capital of its USA subsidiary, Gel Company Inc. for US\$150,000. Refer below for the financial performance of this company through to 29 September 2010.

The financial performance presented for the period ended 29 September 2010 and the year ended 30 June 2010 are set out below:

	Period ended 29 September 2010	Year Ended 30 June 2010
	\$	\$
Revenue	415,987	1,959,604
Expenses	<u>(530,802)</u>	<u>(3,625,204)</u>
Loss before income tax	(114,815)	(1,665,600)
Income tax expense	<u>-</u>	<u>-</u>
Loss after income tax of discontinued operation	<u>(114,815)</u>	<u>(1,665,600)</u>
Loss on sale of the subsidiary before income tax	(51,639)	-
Income tax expense	<u>-</u>	<u>-</u>
Loss on sale of the subsidiary after income tax	<u>(51,639)</u>	<u>-</u>
Foreign Exchange difference transferred from foreign currency translation reserve to profit or loss	<u>(597,558)</u>	<u>-</u>
Loss from discontinued operations	<u>(764,012)</u>	<u>(1,665,600)</u>

16 DISCONTINUED OPERATIONS (CONTINUED)

	Period ended 29 September 2010 \$
Details of the sale of the subsidiary are as follows:	
Consideration received – cash	154,950
Carrying amount of net assets sold	<u>(206,589)</u>
Loss on sale before income tax	(51,639)
Income tax expense	<u>-</u>
Loss on sale after income tax	<u>(51,639)</u>

The carrying amounts of assets and liabilities at the date of sale (29 September 2010) were:

	\$
Cash & cash equivalents	52,238
Property, plant & equipment	14,821
Trade and other receivables	206,497
Inventories	<u>390,562</u>
Total assets	<u>664,118</u>
Trade and other payables	<u>457,529</u>
Total liabilities	<u>457,529</u>
Net assets	<u>206,589</u>
Consideration received - cash	154,950
Cash outflow – cash held by subsidiary at date of disposal	<u>(52,238)</u>
Net cash inflow (outflow) from disposal of subsidiary	<u>102,712</u>

17. BORROWINGS

	Consolidated	
	2011	2010
	\$	\$
Loans from current and former directors	222,628	366,145
Convertible Notes	<u>500,000</u>	<u>-</u>
	<u>722,628</u>	<u>366,145</u>

Loan From Current and Former Directors

The loans are secured and the amounts owing have been calculated as being capped to a total amount of \$222,618 (refer Note 26).

Convertible Notes

On 20 December 2010 Fluorotechnics Limited completed a placement for \$210,000 of additional share capital as ordinary shares, and in addition raised a further \$500,000 through the issue of convertible notes.

17. BORROWINGS (CONTINUED)

The key terms of the convertible notes are:

- Convertible at any time by the investors over the 18 month term of the notes at \$0.03 per share. Automatic conversion of the notes will also occur at the earlier of 6, 9, 12 or 15 months (the 'Early Conversion Dates') after issue of the notes at \$0.03 per ordinary share if the volume weighted average price of Fluorotechnics Limited's ordinary shares in the 10 business days prior to the Early Conversion Dates is at least \$0.03. Finally, if the notes have not previously converted they will mandatorily convert at \$0.03 per share after 18 months from the date of issue of the notes.
- The conversion rate of the notes is 1 for 1 and they also bear 1 free attaching option. The exercise price per option is \$0.03.
- The options expire 2 years after the date of issue of the notes.
- There is no interest payable on the notes.
- The principal sum of the notes is potentially repayable if there is a default event.

There are currently 54,147,874 ordinary shares on issue in Fluorotechnics. On conversion of the convertible notes there will a further 16,666,667 ordinary shares and 16,666,667 options issued.

At 30 June 2010 the Group had a loan facility through Sandhill Finance in California through its subsidiary Gelcompany Inc. This loan facility was based on Gelcompany Inc.'s Trade Receivables and was capped at US\$300,000. On disposal of Gelcompany Inc. this facility is no longer available to the Group.

18. LEASE COMMITMENTS

Non-cancellable operating leases

The Group leases various offices, under non-cancellable operating leases expiring within three to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated	
	2011	2010
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases		
(a) Within one year	257,909	331,793
(b) Later than one year but not later than five years	915,284	1,147,930
(c) Later than five years	463,066	401,856
	1,636,259	1,881,579

19. TRADE AND OTHER PAYABLES

	Consolidated	
	2011	2010
	\$	\$
Trade payables	210,419	1,126,726
Other payables and accruals	339,752	320,986
	550,171	1,447,712

20. EMPLOYEE ENTITLEMENTS

	Consolidated	
	2011	2010
	\$	\$
Current	17,876	317,091
Non-Current	-	36,557
	17,876	353,648

21. CONTRIBUTED EQUITY

	2011	
	\$	Number
Movements in ordinary shares on issue		
Balance at 1 July 2010	18,591,605	47,147,774
Movements during the period :		
Placement – December 2010	210,000	7,000,000
Issue under a prospectus - April 2011	100	100
Share issue expenses	(5,000)	-
Balance at 30 June 2011	18,796,705	54,147,874

	2010	
	\$	Number
Movements in ordinary shares on issue		
Balance at 1 July 2009	13,972,439	25,909,638
Movements during the period :		
Issue under rights issue – September 2009	1,235,420	4,412,214
Issue under rights issue - January 2010	1,819,311	6,064,370
Issue under rights issue – June 2010	1,614,233	10,761,552
Share issue expenses	(49,798)	-
Balance at 30 June 2010	18,591,605	47,147,774

Terms and Conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of a winding up of the company, ordinary shareholders rank after creditors and are entitled to any proceeds of liquidation in proportion to the number of and amounts paid on shares held.

Capital Risk Management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group manages the capital and the rest of the Balance Sheet using various estimates of expected cashflows.

22. RESERVES

	Consolidated	
	2011	2010
	\$	\$
Shares based payments reserve		
Opening Balance	331,402	960,085
Share based credits (debits) for earn out shares	-	(707,000)
Expense of share options – directors and management	7,029	78,317
Transferred to profit or loss on cancellation of options	(147,937)	-
Transferred to accumulated losses on cancellation of options	(67,194)	-
Closing Balance	<u>123,300</u>	<u>331,402</u>
Foreign currency translation reserve		
Opening Balance	(310,800)	(244,923)
Currency translation differences arising during the year	59,073	(65,877)
Foreign exchange difference relating to Gel Company Inc. transferred to foreign currency translation reserve to profit or loss	597,558	-
Closing Balance	<u>345,831</u>	<u>(310,800)</u>
Total reserves	<u>469,131</u>	<u>20,602</u>

The share based payments reserve is used to recognise:

- a. the grant date fair value of options issued to employees but not exercised
- b. the grant date fair value of shares issued as part of the acquisition of subsidiaries
- c. the grant date fair value of shares issued to other third parties

Foreign currency translation reserve:

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve as described in note 2(h). The reserve is recognised in profit or loss when the net investment is disposed of.

23. SHARE BASED PAYMENTS

Set out below are details of movements in options during the year:

	2011		2010	
	\$	Number	\$	Number
THIRD PARTY OPTIONS				
Options – fully vested and expiring 28 February 2012 (exercise price \$0.55)				
Opening balance	-	39,063	-	39,063
Closing balance	-	<u>39,063</u>	-	<u>39,063</u>
Options – fully vested and expiring 31 October 2011 (exercise price \$1.00)				
Opening balance	123,300	500,000	123,300	500,000
Closing balance	123,300	<u>500,000</u>	123,300	<u>500,000</u>
Total Third Party Options at 30 June	<u>123,300</u>	<u>539,063</u>	<u>123,300</u>	<u>539,063</u>

23. SHARE BASED PAYMENTS (CONTINUED)

	2011		2010	
	\$	Number	\$	Number
DIRECTOR AND MANAGEMENT OPTIONS				
Options lapsed in full in the year ended 2011 (exercise price \$1.00)				
Opening balance	208,102	2,651,000	129,785	2,651,000
Expensed	7,029	-	78,317	-
Transferred to profit or loss on cancellation of options	(147,937)	(1,795,000)	-	-
Transferred to accumulated losses on cancellation of options	(67,194)	(856,000)	-	-
Closing balance	-	-	208,102	2,651,000
Total Options at 30 June	123,300	539,063	331,402	3,190,063

Third Party Options

The options issued to third parties (with an expiry date of 31 October 2011) were valued using the same methodology and assumptions as the director and management options.

Director and Management Options

2,651,000 options over the ordinary shares were issued in December 2008 to directors and certain executive staff of the company after shareholder approval. The options were granted in accordance with performance guidelines established by the directors of Fluorotechnics Limited and were disclosed in the replacement prospectus dated 11 September 2008.

The options were valued using the binomial methodology for valuing options. The options lapsed during the year ended 30 June 2011. For the period ended 30 June 2011, the expense recognised in relation to these options was \$7,029 (2010: \$78,317).

	Vesting 30 June 2009	Vesting 30 June 2010	Vesting 30 June 2011	Total
Number of options	1,060,400	1,060,400	530,200	2,651,000

The assumptions used in valuing these options are shown below. Under Australian Accounting Standards these assumptions are fixed at the time of issue and can not be changed.

- The Reserve Bank of Australia "target cash rate" of 6% p.a. as being the appropriate interest rate for valuation;
- Dividends of \$0.10 and \$0.45 per share will be paid in December 2010 and 2011 respectively by Fluorotechnics Limited;
- Volatility of the underlying Fluorotechnics Limited share price will be 23.98% p.a., reflecting the volatility of the S & P/ASX 300 Pharmaceuticals & Biotechnology Index for the period 31 January 2003 through to 30 September 2008, being the period for which the index data was available.

The senior management options are designed to provide incentives for senior managers and above (including directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met.

The amount of options that could vest depended on Fluorotechnics Limited reaching revenue and net profit after tax targets. Options were granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights. When exercisable, each option was convertible into one ordinary share of the company.

As at 30 June 2011, all Director and Management options had lapsed as a result of the director/employee no longer being a director/employee of the company, or the performance hurdles at 30 June 2011 not being achieved.

24. ACCUMULATED LOSSES

	Consolidated	
	2011	2010
	\$	\$
Opening balance	(17,915,476)	(11,004,577)
Transfer from share based payments reserve	67,194	-
Loss after income tax	(2,402,326)	(6,910,899)
Closing balance	<u>(20,250,608)</u>	<u>(17,915,476)</u>

25. NOTE TO THE CASH FLOW STATEMENTS

Reconciliation of loss after tax to the net cash from operating activities:

	Consolidated	
	2011	2010
	\$	\$
Loss after income tax	(2,402,326)	(6,910,899)
Adjustments for:		
Depreciation, amortisation and impairment	(67,855)	2,500,074
Salaries paid as equity	(140,907)	78,317
Foreign exchange differences on discontinued operations	597,558	(65,875)
Loss from discontinued operations	51,639	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivable	431,078	(101,145)
(Increase)/decrease in prepayments	129,369	(1,999)
(Increase)/decrease in inventories	431,728	(132,944)
(Decrease)/increase in trade and other payables	(264,704)	68,184
(Decrease)/increase in employee entitlements	(335,772)	51,860
Net cash used in operating activities	<u>(1,570,192)</u>	<u>(4,514,427)</u>

26. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Short term employee benefits	264,864	964,802
Post employment benefits	19,311	43,284
Long term benefits	25,995	7,557
Share based payments	(16,521)	78,317
Termination benefits	91,743	-
	<u>385,392</u>	<u>1,093,960</u>

Key management personnel are defined as all those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director of the Group.

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report within the Directors Report.

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) *Option holdings*

The numbers of options over ordinary shares in the company held during the financial year by each director of Fluorotechnics Limited and other key management personnel of the Group, including their related parties, are set out in the Remuneration Report.

(iii) *Number of shares*

The numbers of shares in the company held during the financial year by each director of Fluorotechnics Limited and other key management personnel of the Group, including their personally related parties, are set out below:

Shareholdings of Directors and specified Executives

	Balance 1 July Ordinary	Acquired During the Year	Sold During the year	Other Movements**	Balance at 30 June Ordinary	Registered Holder
2011						
<i>Directors</i>						
<i>Current Executive Directors</i>						
R Taylor	2,454,555	-	-	-	2,454,555	R Taylor, Smart Richard Super Fund
D Pethica	-	-	-	-	-	
R Trevillion	-	-	-	-	-	
<i>Former Non-Executive Directors</i>						
P Bergquist	129,488	-	-	(129,488)	-	P Bergquist
	71,430	-	-	(71,430)	-	Forbar Custodians Ltd
L Utterman	715,715	-	-	(715,715)	-	L Utterman
J Fletcher	1,786,459	-	-	(1,786,459)	-	Kannatex Pty Ltd
D Weber	2,182	-	-	(2,182)	-	D Weber
	654,471	-	-	(654,471)	-	DA Weber Trust
	<u>5,814,300</u>	-	-	<u>(3,359,745)</u>	<u>2,454,555</u>	
<i>Former Executives</i>						
<i>Executive director & CEO</i>						
J Walker	527,230	-	-	(527,230)	-	Kirri Cove Pty Ltd
	144,860	-	-	(144,860)	-	J Walker
	<u>672,090</u>	-	-	<u>(672,090)</u>	-	
<i>Specified executives</i>						
G Thesseling	119,972	-	-	(119,972)	-	G Thesseling
G Richardson	209,602	-	-	(209,602)	-	G Richardson
D Veal	29,593	-	-	(29,593)	-	D Veal
	130,955	-	-	(130,955)	-	Veal & Associates
	<u>490,122</u>	-	-	<u>(490,122)</u>	-	
	<u>6,976,512</u>	-	-	<u>(4,521,957)</u>	<u>2,454,555</u>	

** The "Other Movements" column represents the number of shares held on retirement of the respective person as a director. The "Balance at 30 June Ordinary" column shows nil for persons who are no longer directors of the company, although these persons still hold shares in the company.

26. RELATED PARTY TRANSACTIONS (CONTINUED)

2010

Non Executive directors

R Taylor	2,267,128	187,427	-	-	2,454,555	R Taylor Smart Richard Super Fund
P Bergquist	36,647	92,841	-	-	129,488	P Bergquist
	71,430	-	-	-	71,430	Forbar Custodians Ltd
L Utterman	-	715,715	-	-	715,715	L Utterman
J Fletcher	1,276,042	510,417	-	-	1,786,459	Kannatex Pty Ltd
D Weber	2,182	-	-	-	2,182	D Weber
	654,471	-	-	-	654,471	DA Weber Trust
	<u>4,307,900</u>	<u>1,506,400</u>	<u>-</u>	<u>-</u>	<u>5,814,300</u>	

Executive director & CEO

J Walker	433,072	94,158	-	-	527,230	Kirri Cove Pty Ltd
	144,860	-	-	-	144,860	J Walker
	<u>577,932</u>	<u>94,158</u>	<u>-</u>	<u>-</u>	<u>672,090</u>	

Specified executives

G Thesseling	119,972	-	-	-	119,972	G Thesseling
G Richardson	209,602	-	-	-	209,602	G Richardson
D Veal	29,593	-	-	-	29,593	D Veal
	130,955	-	-	-	130,955	Veal & Associates
	<u>490,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490,122</u>	
	<u>5,375,954</u>	<u>1,600,558</u>	<u>-</u>	<u>-</u>	<u>6,976,512</u>	

(iv) *Loans to key management personnel*

There were no loans to key management personnel as at 30 June 2011.

(v) *Secured loans from directors and former directors*

At 30 June 2011 the loan balances were:

Directors/ Former Directors	Total Loan Owing \$
R Taylor	31,816
J Fletcher	159,078
D Weber	31,734
	<u>222,628</u>

The loans are repayable when sufficient capital or other funding has been raised.

Movements in the loan balances during the year are as follows:

Year ended 30 June 2010

Director/former director	Balance at beginning of year (\$)	Amount advanced during year (\$)	Interest charged during the year (\$)	Balance owing at end of year (\$)
R Taylor	-	50,000	2,323	52,323
J Fletcher	-	250,000	11,629	261,629
D Weber	-	50,000	2,193	52,193
	<u>-</u>	<u>350,000</u>	<u>16,145</u>	<u>366,145</u>

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Year ended 30 June 2011

Director/former director	Balance at beginning of year (\$)	Interest charged during the year (\$)	Loan forgiven during year (\$)	Balance owing at end of year (\$)
R Taylor	52,323	2,794	(23,301)	31,816
J Fletcher	261,629	13,937	(116,488)	159,078
D Weber	52,193	2,784	(23,243)	31,734
	<u>366,145</u>	<u>19,515</u>	<u>(163,032)</u>	<u>222,628</u>

Other related party transactions

At 30 June 2011 Fluorotechnics Limited did not owe fees to any persons in their capacity as a non-executive director. Details of amounts owing at year end are as follows:

	2011 \$	2010 \$
R Taylor	-	46,900
P Bergquist	-	29,167
J Fletcher	-	29,167
D Weber	-	29,202
L Utterman	-	22,917
	<u>-</u>	<u>157,353</u>

During the year, fees owing to non-executive directors (including former directors) totalling \$226,155 were forgiven by the directors/former directors. At 30 June 2011 Fluorotechnics Limited owed directors and consulting fees to executive directors which accrued for the period from 13 March 2011 to 30 June 2011, as follows:

	2011 \$
R Trevillion	55,890
R Taylor	27,945
D Pethica	<u>27,945</u>
	<u>111,780</u>

The Group did not enter into any other related party transactions throughout the financial year.

27. AUDITOR'S REMUNERATION

Amounts charged by HLB Mann Judd (NSW Partnership), the auditors of the Company:

	Consolidated	
	2011 \$	2010 \$
Audit/Review of Financial Statements	<u>92,897</u>	<u>95,870</u>

28. CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities for the Group as at the date of this report include:

Government Grant

On 7 January 2004 Fluorotechnics Limited entered a R&D Start Program (R&D) Grant Agreement with the Australian Government. The grant received under this agreement was \$1,040,768 and was for the period 7 January 2004 to 31 December 2007.

A condition of this agreement is that Fluorotechnics Limited must obtain written approval from the Australian Government prior to a change in control of the company or ownership of the intellectual property associated with this project before 30 April 2012. If prior approval is not obtained the grant funds or a portion thereof may be required to be repaid.

The Directors are not aware of any current circumstances requiring such Government approval. Further, the directors have sought that approval from the Government be given in relation to any potential future change of control of the company and are awaiting a reply.

29. EVENTS SUBSEQUENT TO BALANCE DATE

On 30 August 2011, the company announced that it was in negotiations on an acquisition opportunity in the resources sector. As a consequence, and for working capital purposes generally, the company raised \$615,000 by way of a convertible note issue.

Set out below is a summary of the key terms of the convertible notes.

- Each note has a principal amount of \$1.00 and bears no interest.
- Each note is convertible into that number of ordinary shares in the company in accordance with the following formula: 100 cents, divided by the amount (in cents) which is a 35% discount on the issue price per ordinary share under any proposed public offer.
- The terms of the notes include customary adjustments to the noteholders' entitlements to ordinary shares in the event of a bonus issue, pro rata offer to ordinary shareholders, or reconstruction of capital (subject to an exception for a consolidation of capital associated with any re-compliance by the Company with Chapters 1 and 2 of the listing rules) by the Company.
- Conversion of the notes can occur if the company makes a public offer to raise new capital and is subject to the following conditions:
 - the minimum subscription under the public offer is reached on or prior to the date which is 24 months after the date of the convertible note subscription agreement ("End Date"); and
 - shareholder approval to the conversion having been obtained on or prior to the End Date.
- The Notes may be redeemed at the election of the noteholder if any of the following events ("Redemption Events") occurs:
 - an insolvency event occurs in relation to the company;
 - the company breaches a material term of the convertible note subscription agreement and does not remedy that breach within 10 business days of receipt of a notice from the noteholder requiring the company to remedy the breach; or
 - the notes are not converted by the End Date, shareholder or governmental agency approval is required for their conversion, and the noteholder (acting reasonably and in good faith, and after consultation with the company) considers that such approval is withheld or will not be obtained.
- Noteholders have 3 months from the occurrence of a Redemption Event to give the company a redemption notice. Once the company receives a redemption notice from a noteholder, it must redeem all of that noteholder's notes within 15 business days.
- The notes are not transferable except with the prior written approval of the company.

In addition a process has been commenced to place the German subsidiary into administration.

No other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- a. the Group's operations in future financial years, or
- b. the results of those operations in future financial years, or
- c. the Group's state of affairs in future financial years.

30. PARENT ENTITY DISCLOSURES

	2011 \$	2010 \$
The following set out certain disclosures in relation to the parent entity, Fluorotechnics Limited:		
Assets		
Current assets	239,886	903,144
Non-current assets	29,865	90,118
Total assets	<u>269,751</u>	<u>993,262</u>
Liabilities		
Current liabilities	1,005,345	1,444,077
Non-current liabilities	-	-
Total liabilities	<u>1,005,345</u>	<u>1,444,077</u>
Equity		
Issued capital	18,796,705	18,591,605
Retained earnings	(19,655,599)	(19,014,466)
Reserves	123,300	331,400
Total equity	<u>(735,594)</u>	<u>(91,461)</u>
Loss after tax for the year	(844,827)	(8,849,347)
Other comprehensive income	-	-
Total comprehensive loss	<u>(844,827)</u>	<u>(8,849,347)</u>
Operating Lease Commitments		
Within one year	87,893	98,301
Later than one year but not later than 5 years	250,882	447,570
	<u>338,775</u>	<u>545,871</u>


31. GELCOMPANY GMBH

On 20 December 2010 Fluorotechnics announced that it had appointed Serva Electrophoresis GmbH (Serva) as its global sales and marketing partner for the electrophoresis gels and hardware product lines. In addition, Serva has acquired the gel and HPE technology for a cash consideration of €150,000, received in January 2011 with that consideration being split between the owners of that technology being Fluorotechnics Limited and Gelcompany GmbH. Based on receiving ongoing orders from Serva, our German subsidiary, Gelcompany GmbH, will continue to manufacture electrophoresis gels for the short term while the expected receipts from Serva should cover the ongoing new expenses arising in Gelcompany GmbH. All other activities in Germany have been closed. Fluorotechnics continues to sell the fluorescent stain products from Sydney.

DIRECTORS' DECLARATION

1. In the directors' opinion:
 - (a) the financial statements and notes set out on pages 15 to 47 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.
3. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2011 required by section 295A of the *Corporations Act 2001*.

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



Richard Trevillion
Chairman

Sydney
30 September 2011

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Fluorotechnics Limited:

As lead auditor for the audit of Fluorotechnics Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor's independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Fluorotechnics Limited and the entities it controlled during the year.



A G Smith
Partner

Sydney
30 September 2011

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FLUOROTECHNICS LIMITED**ABN 27 099 098 192****INDEPENDENT AUDITOR'S REPORT**

To the members of Fluorotechnics Limited

Report on the Financial Report

We have audited the accompanying financial report of Fluorotechnics Limited ("the company"), which comprises the consolidated balance sheet as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity, as set out on pages 15 to 48. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 2(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

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FLUOROTECHNICS LIMITED

ABN 27 099 098 192

INDEPENDENT AUDITOR'S REPORT (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Fluorotechnics Limited on 30 September 2011, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the financial report of Fluorotechnics Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(c).

Accounts Prepared on a Realisation Basis

Without qualification to the above, we draw attention to the following matter. As set out in note 2(b) to the financial report, the financial report has been prepared on a realisation basis as it is possible that the consolidated entity may be required to liquidate or otherwise wind up its operations prior to June 2012.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Fluorotechnics Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

HLB MANN JUDD
Chartered Accountants

A handwritten signature in black ink that reads 'A G Smith'.

A G Smith
Partner

Sydney
30 September 2011

FLUOROTECHNICS LIMITED

ASX ADDITIONAL INFORMATION as at 12 September 2011

Substantial Shareholders

Notices have been received from the following substantial shareholders:

	Ordinary Shares
Hunter Hall Investment Management Limited	20,000,000
Hunter Hall Global Value Limited	3,861,164

Number of holders in each class of equity securities

Ordinary shares	408
Convertible Notes – December 2010	15
- August 2011	12
Options	2

Voting Rights

Ordinary shares

Subject to the provisions of the Act, and this Constitution which deal with voting rights—

- (a) on a show of hands each Member present has one vote except where a Member has appointed more than one person as representative, proxy or attorney, in which case no person appointed by that Member is entitled to vote, and
- (b) on a poll, each Member present—
 - (i) has one vote for every fully paid share held, and
 - (ii) for each partly paid share held, has a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Distribution schedule

Ordinary shares

Holdings Ranges	Holders	Total Units
1-1,000	20	8,221
1,001-5,000	215	533,829
5,001-10,000	30	224,058
10,001-100,000	78	2,713,412
100,001-and over	65	50,668,354
Totals	408	54,147,874
Convertible notes	15	16,666,671
100,001-and over		

Holders of less than a marketable parcel

The holders number 306.

Twenty largest holders of ordinary shares

	\$	%
J P MORGAN NOMINEES AUSTRALIA LIMITED	19,737,820	36.452
MR EDWARD FURNIVAL GRIFFIN & MRS DEBORAH ANN GRIFFIN <GRIFFIN SUPER FUND A/C>	2,775,075	5.125
KANNATEX PTY LTD <FLETCHER SUPERFUND A/C>	2,061,047	3.806
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,692,486	3.126
MS CHRISTINE VEAL	1,680,152	3.103
MR RICK TAYLOR <TAYLOR FAMILY A/C>	1,577,395	2.913
DOMAIN CAPITAL BIOTECH INVESTMENTS PTY LTD	1,000,000	1.847
MS JOANNA GIANNOU	973,600	1.798
MACQUARIE UNIVERSITY	915,983	1.692
MR RICHARD TAYLOR <SMART RICHARD SUPERFUND A/C>	872,400	1.611
TAMBRAKEE PTY LIMITED <F B SUPERANNUATION FUND A/C>	807,600	1.491
ULLT PTY LTD <ULLT NO 1 A/C>	725,000	1.339
MR LARS UTTERMAN	715,715	1.322
MR MADOC TIONG	700,000	1.293
MR DAVID WEBER & MS RUTH GOLDSTINE <LIVING A/C>	643,561	1.189
MS FAYE DIANE WOODHOUSE	587,072	1.077
MR PETER HELMUTH KARUSO	548,088	1.012
LAMBROOK PTY LTD <RAYMONDE SUPERFUND NO 1 A/C>	500,000	0.923
MULLINS PTY LTD	500,000	0.923
RL WEBB NOMINEES PTY LTD	500,000	0.923
	39,512,994	72.972

Twenty largest holders of convertible notes – December 2010 (15 holders only)

SPRINGTREE SPECIAL OPPORTUNITIES FUND LP	105,000	21.000
DOMAIN CAPITAL BIOTECH INVESTMENTS PTY LTD	70,000	14.000
ULLT PTY LTD <ULLT NO 1 A/C>	50,750	10.150
LAMBROOK PTY LTD <RAYMONDE SUPERFUND NO 1 A/C>	35,000	7.000
MULLINS PTY LTD	35,000	7.000
RL WEBB NOMINEES PTY LTD	35,000	7.000
ULLT PTY LTD <ULLT NO 2 A/C>	25,375	5.075
ULLT PTY LTD <ULLT NO 3 A/C>	25,375	5.075
PROSPERO CAPITAL PTY LTD <PROSPERO GROWTH FUND A/C>	24,500	4.900
GEMELLI NOMINEES PTY LTD <GEMELLI FAMILY A/C>	24,000	4.800
AUITA PTY LTD	21,000	4.200
AUSTIN 4 PTY LTD <R & S TOWNER FAMILY A/C>	21,000	4.200
BLIGH PARTNERSHIP PTY LTD	14,000	2.800
MR IAN MARSHALL <NEW LUSCAR SUPER FUND A/C>	7,000	1.400
MR RICHARD IAN MARSHALL	7,000	1.400
	500,000	100.00

Twenty largest holders of convertible notes – August 2011 (12 holders only)

LAGUNA BAY CAPITAL	150,000	24.39
RL WEBB NOMINEES PTY LTD	100,000	16.26
SYDNEY CAPITAL PARTNERS	100,000	16.26
DOMAIN CAPITAL BIOTECH INVESTMENTS PTY LTD	70,000	11.38
AUSTIN 4 PTY LTD <R & S TOWNER FAMILY A/C>	50,000	8.13
MANDOLIN PTY LTD	50,000	8.13
LAMBROOK PTY LTD <RAYMONDE SUPERFUND NO 1 A/C>	30,000	4.87
LESLIE WEBB	20,000	3.25
BLIGH PARTNERSHIP PTY LTD	15,000	2.44
MR IAN MARSHALL <NEW LUSCAR SUPER FUND A/C>	10,000	1.63
MR RICHARD IAN MARSHALL	10,000	1.63
MOLLOY SUPER FUND	10,000	1.63
	615,000	100.00

Fluorotechnics Limited

Fluorotechnics Corporate Governance Practices

BACKGROUND

The company was listed on ASX in October 2008, in conjunction with the Initial Public Offering. At that time, the directors considered the structures, policies and codes of behaviour for the company, which were appropriate for its size and stage of development and, since then, the policies have been further enhanced as and when considered appropriate.

Since the re-focus of the company which commenced in December 2010, the company has concentrated on identifying and assessing acquisition opportunities. As a result, the board has been re-structured to achieve this aim and consequently the board structure and some processes for the latter part of the year have not complied with the ASX governance principles and recommendations. On the completion of an acquisition and fundraising the board will review the governance principles having regard to the ASX principles and guidelines.

ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The board is committed to a culture of best practice governance which is appropriate to Fluorotechnics and has considered the principles and recommendations of ASX in establishing its policies, procedures and codes.

The board considers that it has generally, throughout the year, complied with the principles and recommendations, with the exception of the last six months whilst the company has been in transition mode.

The main area of non-compliance with the recommendations relates to the temporary structure of the board, currently comprising a Chairman who is also the Managing Director and two executive directors. The reason for this structure is set out above.

The board's policies and charters are set out in full in the corporate governance charter which can be found on the website under investor relations – www.fluorotechnics.com. A summary follows:

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Governance Roles

The Board

The company has established functions reserved for the board. These include:

- Strategy, including budget approval, performance, capital management and major capital expenditure.
- Risk management.
- Appointment and removal of the CEO and ratifying appointment of executives reporting to the CEO, executive remuneration, succession planning and delegating authority to the CEO.
- Monitoring the performance, including assessment of executives, the board and setting goals.
- Corporate governance.
- Board committees – establishing committees and their charters.

Details are available on the company's website, including the board charter.

Management

The board has established functions delegated to senior management, via the CEO. These include:

- Management, through the CEO, is responsible for the day-to-day management of the company and is restricted as follows:

- CEO has authority to commit the company to items with obligations not exceeding A\$250,000.
- All proposed business acquisitions, irrespective of size, must be approved by the board.
- All media releases, ASX announcements and other information to be provided to analysts must be subject to review by the Chairman.

Details are available on the company's website regarding the responsibilities of management.

Performance evaluation

Board and Committees

The board, through the Chairman, will carry out an annual evaluation to review the:

- Performance of the board compared to the requirements of the charter
- Setting of goals and objectives
- Performance of the committees
- Charter as required

The last board performance review was carried out in November 2009 by the Chairman, in conjunction with the Chairman of the Remuneration and Nomination Committee.

The board may, from time to time, use an independent adviser to assist in the reviews.

Management

The board has established the principles for evaluating the performance of senior executives. These will be reviewed during the coming year under the charter of the Remuneration and Nominations Committee and following the restructure of the company on completion of an acquisition.

An evaluation of senior executives took place during 2010 by the Remuneration and Nomination Committee, which was in accordance with the procedures of the board.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Composition and balance of skills of directors

The composition of the board is critical for the success of the company and the number of directors and their skills will vary from time to time, depending on the circumstances of the company, as follows:

- The board will determine the appropriate number of directors from time to time.
- The board will comprise a variety of persons with diverse skills and experience relevant to the company and its circumstances at the time, and have regard to the geographical spread of the company's operations.
- The CEO will be a director and will also have the title of Managing Director.

Independence of Directors

The board will review annually whether or not each director is independent. It believes generally, that the best interest of the company will be served by the majority of directors being independent.

The positions of Chairman and CEO will not be held by the same person. Currently, the Chairman is also the Managing Director, but this is a temporary structure only and will be reviewed on completion of an acquisition.

The board currently contains three non-independent directors.

The status of each director is as follows:

- R. Trevillion – chairman & managing director..... non-independent
- B. Pethica – executive directornon-independent
- R. Taylor – executive directornon-independent

The definition of director independence used by the company is set out in the ASX corporate governance recommendation 2.1. Materiality levels will be determined in each case by the board, having regard to the circumstances at the time.

The board believes in the renewal of board members to ensure the ongoing vitality of the company. Generally, directors will serve for 10 years and will not seek re-election at the next AGM at which they retire by rotation, unless unanimously agreed otherwise by the other non-executive directors.

Appointment of Directors

If the board determines that there is a need to appoint another director for any reason the Remuneration and Nomination Committee will:

- Determine the skills, experience, qualifications appropriate, having regard to those existing directors.
- Agree the process to seek such a person.
- Set a timetable to appoint, having regards to the timing of the AGM and the requirements of the constitution.

Access to Independent Advice

Directors may obtain independent experts' advice to enable them to fulfil their obligations, at the expense of the company, and after obtaining approval from the Chairman.

This right was not utilised during the year.

Directors' Induction

The objective of directors' induction is to inform the directors such that they can become as effective a director as possible, as soon as practical.

Induction covers director's duties, the company's business and board structures, policies and issues.

Director Indemnification, Access and Insurance

To enable directors to fulfil their obligations, they must have access to information. It is also considered appropriate that directors, during and after their period of service, have access for a proper purpose, including defending a legal action, to the company's records. It is also common practice for directors to be indemnified out of the assets of the company, except where there has been a wilful breach of duty. It is also common practice for companies to maintain Directors' and Officers' Liability Insurance.

It is a policy of this board that deeds of protection, covering the above matters (and other appropriate matters) will be entered into with each of the directors. Shareholder approval was obtained at the 2008 AGM to enter into deeds with the existing directors and to enter deeds with future directors. During the year, Mr Trevillion and Dr Pethica were granted deeds of protection following their appointment as directors.

Performance Review

The company has established a Remuneration and Nomination Committee. Details of the charter of the committee are available on the website. The names of the members of the committee and their attendance at meetings are shown separately in this annual report.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct of Directors

The directors are expected to use their skills commensurate with their knowledge and experience to increase the value of the company. To meet this obligation they must act honestly and should:

- Execute due care and diligence.
- Not misuse information or their position for their own gain.
- Avoid or fully disclose conflicts.
- Ensure that the market is fully informed of all matters that require disclosure.
- Actively promote the reputation of the company.

Conflicts of interest that arise must be immediately disclosed and addressed by eliminating the conflict, abstaining from participation or, in exceptional cases, resigning.

Directors must comply with the law on disclosure of benefits and related party transactions. Directors must have access to all relevant information on the company and this is to be sought through the CEO or agreed arrangements.

All directors must maintain strict confidentiality in relation to company matters.

Directors must be aware of insider trading laws and strictly abide by the law and company policies.

Directors are to ensure that the financial statements are drawn up to comply with Australian Corporations Law and Accounting Standards.

Directors must also be aware of environmental impacts of the company's business and ensure the health, safety and wellbeing of the employees.

Deeds of access and indemnity insurance have and will be entered into with the directors to the extent permitted by law.

Code of Conduct for Employees

The purpose of the code of conduct is to:

- Ensure compliance with all relevant legislation.
- Fulfil the reasonable expectation of the communities in which the company operates by acknowledging the rights of various stakeholders.
- Enhance the reputation of the company with the financial and broader community.
- Improve the performance of the company.
- Inform employees of the board's expectation of them, including the obligations of raising and pursuing concerns of non-compliance or unethical behaviour, and
- Assisting in achieving the company's vision.

The Code of Conduct sets out the Company's commitment to doing business with employees, customers, suppliers, the community and other stakeholders in accordance with the Company's core values of:

- Quality is paramount
- Innovate and be creative
- Integrity and ethics
- Respect and support
- Communicate and build consensus
- Creating value
- Compete to win

The Code of Conduct also sets out the:

- Responsibilities of all employees, special responsibilities of leaders and how to get advice.
- Expected conduct in various aspects of the daily working life including:
 - Diversity and equal opportunity
 - Safety, health and welfare
 - Fair trading – customers, suppliers, competitors
 - Conflicts of interest
 - Confidentiality of information

- Privacy
- Company resources
- Reporting a breach of the code of conduct
- Consequences of breaching the code of conduct

Trading in Securities

Directors and senior executives must first notify the Chairman of intention to trade in the company's securities.

Subject to the below, the recommended time (in terms of avoiding suggestions of insider trading) for any Director or employee to deal in Company securities is during any period other than the following:

- 1 July until commencement of trading on the day after the date of the Company's full-year profit announcement;
- 1 January until commencement of trading on the day after the date of the Company's half-year profit announcement, or
- provided that the person is not in possession of any inside information relating to those securities.

This policy relates to directors and executives, spouses and other parties over whom they have significant influence.

Interaction with the Media

To ensure clear and consistent messages to the stock exchange and the media, unless specifically approved otherwise, the Chairman and CEO are the only authorised spokespersons of the company.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Certificate from CEO / CFO

The CEO / CFO have, provided a certificate to the board regarding the financial reports providing a true and fair view and being in accordance with accounting standards.

Audit Committee

The company has established an Audit and Risk Committee. The committee comprises only non-executive directors, the chairman is an independent director and not the chairman of the board and the majority of the members are independent directors. The Company has not complied with this policy during the current transition period.

The CEO attends meetings of the committee, by invitation.

The auditor attends meetings as agreed, including the meetings relating to the half-year and full-year financial statements.

The details of the members of the committee, their experience and attendance at meetings are included elsewhere in this report.

The charter of the committee is on the company's website.

The responsibility of the committee includes:

- Risk management – ensuring policies are in place to identify, monitor treatments and to approve management's risk management plan.
- Financial reporting – including quarterly, half-year and full-year financial reporting and review of significant accounting policies.
- Reporting to the board on significant issues and making recommendations, as appropriate.

- Assessment of the adequacy of accounting, financial and internal controls, including receiving reports from the auditors on those matters.
- Appointment and assessment of external auditors and agreeing the scope of the external audit.
- Pre-approval of audit and non-audit services to be provided by the external auditor.
- Monitor the process in place to ensure compliance with laws and regulations.
- Ensure procedures are in place to address complaints regarding accounting matters.
- Assess performance of the committee annually.

External Auditors

The committee is responsible for:

- Selection of an auditor for recommendation to the board and shareholders.
- Reviewing the performance of the auditor.
- Approving non-audit work to be carried out by the auditor to ensure that it will not compromise the independence of the audit.
- Ensuring appropriate rotation of the audit engagement partner to comply with legislation.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The company has established written policies designed to ensure compliance with ASX Listing Rules and Corporations Act continuous disclosure requirements.

The policies identify the executives of the company accountable for compliance with the regulations and the company policy.

The policy is available on the company's website.

The policy is designed to provide shareholders and the market with timely, direct and equal access to information issued by the company and to promote investor confidence in the integrity of the company and its securities.

ASX announcements and press releases are available on the company's website.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Communication Policy

The board will seek to ensure that shareholders are informed of all major developments affecting the company's state of affairs through:

- The annual report.
- Disclosures made to ASX.
- Notices and explanatory memorandum of the Annual General Meetings.
- The company's website, www.fluorotechnics.com.
- The engagement partner of the auditor is to be present at the AGM and be available to answer relevant questions.

All ASX and press releases and other documents (e.g. prospectuses, rights issue documentation, etc.) are available on the company's website.

Shareholders are able to have access to their shareholder account in the register of members by accessing the Boardroom Pty Limited website – www.boardroomlimited.com.au, then InvestorServe. In addition, a whole range of registry forms are available under "Forms" on the Boardroom homepage, to assist shareholders.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Certificate from CEO / CFO

The CEO / CFO are required to provide a certificate to the board advising that the statement on the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the board of directors. The certificate is also required to state that, to their knowledge, the risk management and internal compliance and control systems of the company and consolidated entities, are operating efficiently and effectively in all material respects.

Risk Management and Internal Compliance and Control

The board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and policy via the Audit and Risk Committee. This includes:

- Establishing and monitoring the company's strategies, goals and objectives.
- Identifying and measuring risks that might impact on the achievement of those strategies, goals and objectives.
- Formulating risk management strategies and treatments to manage the identified risks.
- Monitoring and improving the effectiveness of risks and internal compliance controls.

Audit and Risk Committee

The audit and risk committee has been through an extensive process following Australian Standard 4360 on risk management, and has identified and analysed the company's risks and agreed the management and treatment of the risks and identified the officers responsible for the treatment of those risks.

The committee has agreed a timetable to periodically:

- Review the treatments of those risks to ensure that they are still appropriate, and
- Review the risks for currency and to identify new and changing risks and to ensure treatments of those risks are effective and appropriate.

Management is expected to inform the Audit and Risk Committee of any situations that arise that may warrant a review of any risk and/or its treatment.

The general area of risks covered in the above process included:

- Sales.
- Working capital.
- New products.
- Competition.
- Production.
- Human resources and key personnel.
- Foreign exchange rates.
- Intellectual property.
- Quality systems.
- Financial controls.
- Stakeholders.

Internal Controls

Internal controls have been developed and will be continually under review and improved as necessary as an important element in the treatment of many risks.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Policies

Non-Executive Directors

Fees paid to non-executive directors would generally be around the market average and such fees would be inclusive of statutory superannuation. Directors will not be entitled to a termination benefit, other than statutory entitlements. Directors will not participate in share or option plans, except with approval of the shareholders.

The fee pool available to the board is \$300,000. From this pool, the Chairman receives an annual fee of \$75,000 and non-executive directors \$50,000. Fees were paid at these rates up until March 2011 when all non-executive directors became executives.

Senior Executive

Remuneration packages will generally be set to be competitive to both retain executives and attract executives to the company. Packages will comprise a fixed element and variable incentive components.

Short-term incentives will be in the form of cash and be subject to various performance measures linked to the short-term objectives of the company.

Long-term incentives will be through participation in option plans or an issue of options, the exercise of which will be subject to achievement of major performance milestones.

Termination benefits, other than statutory entitlements, will not exceed 6 months. However, the current senior executives have fixed term contracts with periods remaining of greater than this amount but once these periods are completed the policy of six months will be adopted.

Remuneration and Nomination Committee

A Remuneration and Nomination Committee has been established. The charter of the committee is available on the company's website.

The committee chairman is an independent non-executive director and is not the chairman of the board. All members of the committee are non-executive directors and the majority are independent. The above requirements have not been met during the current period of transition of the company. The details of the members' qualification and experience, and attendance at meetings are set out elsewhere in this report.

The role of the committee includes:

- Providing advice in relation to remuneration packages of senior executives, non-executive directors and executive directors, equity-based incentive plans and other employee benefit programs.
- Reviewing the company's recruitment, retention and termination policies.
- Reviewing the company's superannuation arrangements.
- Reviewing succession plans of senior executives and executive directors.
- Recommending individuals for nomination as members of the board and its committees.
- Ensuring the performance of senior executives and members of the board are reviewed at least annually.
- Considering those aspects of the company's remuneration policies and packages, including equity-based incentives which should be subject to shareholder approval.
- Monitoring the size and composition of the board.

For further information refer to the Remuneration Report, included in the Directors' Report.

Corporate Directory

DIRECTORS

Richard Trevillion (Chairman and Managing Director)
Brian Damian Pethica (Executive Director)
Rick Taylor (Executive Director)

SECRETARY

Ian Gilmour

REGISTERED OFFICE

Unit 3, 43-51 College Street
Gladesville NSW 2111
Email: enquiries@fluorotechnics.com
Website: www.fluorotechnics.com

SOLICITORS

Addisons
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Sydney NSW 2000

SHARE REGISTRY

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664
Email: enquiries@boardroomlimited.com.au
Website: www.boardroomlimited.com.au

AUDITOR

HLB Mann Judd (NSW Partnership)
Level 19, 207 Kent Street
Sydney NSW 2000

ASX CODE

FLS - Fully Paid Ordinary Shares

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