DEEP BLUE TECH PTY LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	June 2011 $	June 2010 $
Revenue from continuing operations		-	-
Other Income	2	2,881,089	5,851,912
Expenses			
Labour		(3,369,011)	(3,509,413)
Depreciation and amortisation expenses	3	(43,568)	(45,055)
Professional fees		(338,793)	(21,334)
Operating lease		(55,728)	(61,469)
Finance costs	3	-	(369,794)
Insurance		(13,398)	(23,738)
Training expense		(106,474)	(79,482)
Travelling expenses		(285,255)	(277,195)
Office expenses		(45,312)	(46,968)
Project overhead		(440,260)	(399,229)
Facility charge		(27,723)	(181,671)
Other expenses		(28,051)	(72,635)
Total expenses		(4,753,573)	(5,087,983)
Profit/(loss) before income tax		(1,872,484)	763,929
Income tax (expense)/revenue	5a	1,877,219	2,045,743
Profit/(loss) for the year		4,735	2,809,672
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss) for the year, net of tax		4,735	2,809,672
Profit attributable to:			
Member of the parent entity		4,735	2,809,672
Total comprehensive income/(loss) attributable to:			
Member of the parent entity		4,735	2,809,672

The above statement should be read in conjunction with the accompanying notes.

DEEP BLUE TECH PTY LTD

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	June 2011 $	June 2010 $
ASSETS			
CURRENT ASSETS			
Other	6	43,471	53,471
TOTAL CURRENT ASSETS		43,471	53,471
NON CURRENT ASSETS			
Plant & equipment	7	134,841	123,199
Deferred tax assets	5c	11,807	8,714
TOTAL NON CURRENT ASSETS		146,648	131,913
TOTAL ASSETS		190,119	185,384
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	-	-
Loan from controlling entity	8	-	-
TOTAL CURRENT LIABILITIES		-	-
NON CURRENT LIABILITIES			
TOTAL NON CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		-	-
NET ASSETS		190,119	185,384
EQUITY			
Contributed equity	9	100	100
Retained earnings	10	190,019	185,284
TOTAL EQUITY		190,119	185,384

The above statement should be read in conjunction with the accompanying notes.

DEEP BLUE TECH PTY LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2009	100	-	(2,624,388)	(2,624,288)
Total comprehensive income for the year			2,809,672	2,809,672
Total comprehensive income for the year	100	-	185,284	185,384
Transactions with owners in their capacity as owners:				
Dividends provided for or paid			-	-
Balance at 30 June 2010	100	-	185,284	185,384
Balance at 1 July 2010	100	-	185,284	185,384
Total comprehensive income for the year			4,735	4,735
Total comprehensive income for the year	100	-	190,019	190,119
Transactions with owners in their capacity as owners:				
Dividends provided for or paid			-	-
Balance at 30 June 2011	100	-	190,019	190,119

The above statement should be read in conjunction with the accompanying notes.

DEEP BLUE TECH PTY LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	June 2011 $	June 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts in the course of operations		2,881,089	5,851,912
Payments in the course of operations		(4,700,005)	(4,693,201)
Net cash provided by/(used in) operating activities	11b	(1,818,916)	1,158,712
CASH FLOWS FROM INVESTING ACTIVITIES			
Puchase of property, plant & equipment		(55,211)	(78,292)
Proceeds from sale of non current assets		-	-
Net cash provided by/(used in) investing activities		(55,211)	(78,292)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of loan from (to) controlling entity		1,874,127	(710,626)
Proceeds from issue of shares	9	-	-
Interest paid	3	-	(369,794)
		1,874,127	(1,080,420)
Net increase/(decrease) in cash held		-	-
Cash at the beginning of the financial period		-	-
Cash at the end of the financial period		-	-

The above statement should be read in conjunction with the accompanying notes.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deep Blue Tech Pty Ltd is a company domiciled in Australia. The financial report is presented in Australian dollars.

(a) Basis of preparation

In the directors' opinion, the Company is not a reporting entity because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared for the sole purpose of complying with the *Corporations Act 2001* requirements to prepare and distribute a financial report to the members, and must not be used for any other purpose. The directors have determined that the accounting policies and procedures adopted are appropriate to meet the needs of the members.

The financial report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the directors to meet the needs of the members.

The financial report is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no areas involving a higher degree or judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Financial support from parent entity
In order to have reasonable grounds to determine the Company can pay its debts when and as they become due and payable the directors have received a letter of financial support from the Company's parent entity ASC Pty Ltd.

At the date of adopting this financial report, the directors do not believe this will give rise to any additional liabilities other than those already provided for in the financial statements.

(b) New accounting standards and interpretations not adopted early

Certain new accounting standards and interpretations have been published but their applications are not mandatory for 30 June 2011 reporting periods. The Company has not adopted the following standards early. The Company's assessment of the impact of these new standards and interpretations is set out below.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)
In December 2009 the AASB issued AASB 124 *Related Party Disclosures*. The standard simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Deep Blue Tech's 30 June 2012 financial statements, are not expected to have any material impact on the financial statements as the Group's transactions with government-related entities are likely to be considered too significant to the Group's operations to be eligible for exemption from disclosures.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(b) New accounting standards and interpretations not adopted early (cont.)

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-5 Amendments to Australian Accounting Standards (effective for annual periods beginning on or after 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The amendments, which become mandatory for Deep Blue Tech's 30 June 2012 financial statements, are not expected to have a significant impact on the financial statements.

IFRS 13 Fair value measurement (effective 1 January 2013)

IFRS 13 was released in May 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Deep Blue Tech does not expect the new guidance to have a significant impact on its financial statements.

(c) Foreign currency

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Deep Blue Tech Pty Ltd's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(d) Revenue recognition

No revenue has been earned in the current year. Income for debt forgiveness is recognised when the company have received notice that the debt will not need to be repaid.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Property, plant and equipment

Valuation of plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation

Depreciation is calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives as follows:

- Plant and Equipment 5 – 20 years.
- Computer Software 2.5 – 4 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Leases

Leases of property, plant and equipment where Deep Blue Tech, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

f) Taxation

Income tax

The Company is a member of the tax-consolidated group comprising all the Australian wholly-owned subsidiaries of ASC Pty Ltd (the Head entity). The implementation date for the tax-consolidated group was 1 July 2002.

Deep Blue Tech Pty Ltd has entered into a tax sharing agreement of the tax-consolidated group. The tax sharing agreement requires wholly-owned subsidiaries to make contributions to the Head entity for the total of current tax assets and liabilities arising from all transactions. The contribution is recorded as an inter company receivable or payable.

Accounting for income tax

The income tax expense or revenue for the period is the tax payable on the current period'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 to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Payables

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless the GST is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

The Company is a member of the Parent Company's GST consolidated group (effective from July 2008). Expenses for the Company are invoiced to the Parent Company and on-charged to the Company exclusive of GST. Therefore GST is excluded in the Statement of Cash Flows.

(i) Impairment

Non financial assets
The carrying amount of the Company's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

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 impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Employee Entitlements

The company does not have any employees. Labour expense therefore represents charges from other companies within the ASC Pty Ltd group.

DEEP BLUE TECH PTY LTD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2011

		June 2011	June 2010
		$	$
2	**INCOME**		
	Revenue from continuing operations	-	-
	Other income		
	Forgiveness of intercompany loan	2,881,089	5,851,912
	Total other income	2,881,089	5,851,912
3	**PROFIT BEFORE INCOME TAX EXPENSE**		
	Items included in profit before tax		
	Depreciation of:		
	Buildings	-	-
	Plant & equipment	2,643	2,153
	Computer Software	40,925	42,902
	Total depreciation	43,568	45,055
	Finance costs:		
	Interest - related parties	-	369,794
		-	369,794
4	**AUDITORS' REMUNERATION**		
	Audit services		
	Amount received or due and receivable by the Australian National Audit Office (ANAO) as auditors of the Company	7,000	7,000
	Other services		
	During 2010/11, the auditors of the Company provided audit services. Besides that they have not earned other fees from the Company		
5	**TAXATION**		
(a)	**Income tax**		
	Recognised in the income statement		
	Current tax revenue		
	Current year	(1,874,125)	(2,043,883)
		(1,874,125)	(2,043,883)
	Deferred tax revenue		
	Temporary differences arising during the year, net of reversal	(3,094)	(1,860)
		(3,094)	(1,860)
	Total income tax revenue in income statement	(1,877,219)	(2,045,743)

	June 2011 $	June 2010 $
5 TAXATION (cont)		
Attributable to:		
Continuing operations	(1,877,219)	(2,045,743)
Numerical reconciliation between tax expense and pre-tax net profit		
Profit/(loss) before tax	(1,872,484)	763,929
Income tax using the domestic corporation tax rate of 30% (2010: 30%)	(561,745)	229,179
Increase in income tax expense due to:		
Non-deductible expenses	40	243
Decrease in income tax expense due to:		
Tax exempt income	(864,327)	(1,755,574)
Tax incentives not recognised in income statement	(451,187)	(519,591)
	(1,877,219)	(2,045,743)
Income tax expense/(revenue) on profit before tax	(1,877,219)	(2,045,743)
Attributable to:		
Continuing operations	(1,877,219)	(2,045,743)

DEEP BLUE TECH PTY LTD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2011

	June 2011	June 2010
	$	$
5 TAXATION (cont)		
(b) Deferred tax assets and liabilities		
Recognised deferred tax assets and liabilities		
Deferred tax assets and liabilities are attributable to the following:		
Deferred tax asset:		
Plant & equipment	2,297	3,614
Sundry items	9,510	5,100
Total deferred tax asset	11,807	8,714
6 OTHER CURRENT ASSETS		
Prepayments	43,471	53,471
	43,471	53,471
7 PLANT & EQUIPMENT		
Computer software		
At Cost	250,599	198,495
Accumulated depreciation	(131,642)	(90,717)
	118,957	107,778
Plant & equipment		
At cost	21,898	18,791
Accumulated depreciation	(6,013)	(3,371)
	15,884	15,420
Total plant & equipment	134,841	123,198

	June 2011 $	June 2010 $
7 PLANT & EQUIPMENT (cont)		
Reconciliations		
Reconciliations of the carrying amounts for each class of property, plant & equipment are set out below:		
Computer software		
Carrying amount at beginning of year	107,778	77,646
Additions	52,104	73,034
Disposals	-	-
Depreciation	(40,925)	(42,902)
Carrying amount at end of year	118,957	107,778
Plant & equipment		
Carrying amount at beginning of year	15,420	12,316
Additions	3,107	5,257
Disposals	-	-
Depreciation	(2,643)	(2,153)
Carrying amount at end of year	15,884	15,420
Total Plant & Equipment	134,841	123,198
8 TRADE AND OTHER PAYABLES		
Other payables and accruals	-	-
Loan from controlling entity	-	-
Total payables	-	-
9 ISSUED CAPITAL		
Opening issued and paid-up share capital - 100 ordinary shares (1 July)	100	100
Closing issued and paid-up share capital	100	100

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

	June 2011 $	June 2010 $
10 RETAINED EARNINGS		
Opening retained earnings (1 July)	185,284	(2,624,388)
Net profit attributable to members of the parent entity	4,735	2,809,672
Closing retained earnings (30 June)	190,019	185,284

DEEP BLUE TECH PTY LTD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 30 JUNE 2011

	Note	June 2011 $	June 2010 $

11 NOTES TO THE STATEMENT OF CASH FLOWS

(a) RECONCILIATION OF CASH

For the purposes of the statement of cash flows, cash includes cash on hand and at bank, net of outstanding bank overdrafts. Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheets as follows:

	Note	June 2011 $	June 2010 $
Cash on hand		-	-
Cash at bank		-	-
		-	-

(b) RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Note	June 2011 $	June 2010 $
Operating profit after income tax		4,735	2,809,672
Add/(less) items classified as investing/financing activities			
Depreciation	3	43,568	45,055
Net cash provided by operating activities before change in assets and liabilities		48,303	2,854,727
Change in operating assets and liabilities:			
(Increase)/decrease in prepayments	6	10,000	6,933
Increase/(decrease) in trade creditors and other creditors	8	-	(27,000)
Income tax benefit	5a	(1,877,219)	(2,045,743)
Interest paid	3	-	369,794
Net change in assets and liabilities:		(1,867,219)	(1,696,016)
Net cash provided/(used) in operating activities		(1,818,916)	1,158,711

12 Commitments

As at 30 June 2011, the company did not have any outstanding contractual commitments.