

ATF Group
(PDF) Ltd

A.C.N. 106 213 772

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FINANCIAL REPORT

For the year ended 30 June 2006

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**ATF GROUP (PDF) LIMITED
DIRECTORS' REPORT**

The directors present their report together with the financial report of ATF Group (PDF) Limited ("ATF") for the financial year ended 30 June 2006 and auditors report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards.

Directors Names

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

Sean Magee appointed 5 September 2003

Jennifer Page appointed 27 March 2006

Jim McLauchlan appointed 14 February 2006

Ronald James MacDonald appointed 17 August 2005 resigned 8 May 2006

Michael John Dalling appointed 17 August 2005 resigned 14 February 2006

J. A. Wigginton appointed 25 May 2007

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Results

The loss of the company for the financial year after providing for income tax amounted to \$1,272,781.

Review of Operations

A review of the operations of the company during the financial year and the results of those operations found that the company commenced operations and issued 59,883,775 ordinary shares to raise \$4,770,770. The proceeds of the share issue were used to fund the activities of the company and acquire shares in the following entities:

Evivar Medical Pty Ltd (EM)

At present, ATF owns 29.03% of EM with the option to increase to 45% on payment of a further \$2 million.

EM provides a secure on-line support tool which is designed to enable physicians to individualise the treatment of patients with chronic Hepatitis B Virus (HBV) and to select the right drug (or mix of drugs) in response to the HBV mutation diagnosed at the time.

On-line access to the EM database enables real time, accurate and cost effective identification of the HBV mutations present in each patient and their level of resistance to the available medications, thereby determining the most effective combination of drugs to combat the relevant strain of the virus. The Company believes this is a major breakthrough in the global fight against HBV and will lead to an improved quality of life for HBV sufferers.

**ATF GROUP (PDF) LIMITED
DIRECTORS' REPORT**

Evivar Medical Pty Ltd (EM)

By means of a licence agreement with Melbourne Health (and its consortium partners), EM has access to use a proprietary bio-informatics viral genomics sequence analysis program, known as SepHepB, for the diagnosis of the HBV mutations present in the patient and the determination of the resistance levels to the various available medications. The relevant software was developed by Victoria Infectious Diseases Reference Laboratory (VIDRL), interfaced with genomic and phenotypic information based on over 2,500 HBV sequences from America, Asia, Australia and Europe.

EM provides physicians with:

- analysis of the patient's HBV genetic sequence;
- confirmation of the drug resistant mutation(s) detected in the patient; and
- a prediction of the treatment outcomes for the patient.

The Market for Chronic Hepatitis B treatment

Chronic HBV infection is caused by the HBV and occurs worldwide. The World Health Organisation (WHO) estimates that more than 360 million people worldwide are chronically infected with HBV. Those with chronic HBV are at risk of cirrhosis (30%) and liver cancer (5%-10%). Up to one million people die annually from chronic HBV infection and its complications. About 70 million new cases per year are reported worldwide. Approximately 10% of these will develop chronic HBV, which means that, annually, 7 million people with chronic HBV will be added to the existing pool of chronic sufferers.

Sources of Revenue

EM has adopted a regional pricing strategy because of the inherent differences in the medical cost and social structures in the different world regions. A reference price averaging approach was used to determine a suitable price for the EM service. For example, in Europe and the USA, it is expected the service will be available at a cost of approximately US\$80 per test.

Other potential revenue sources for EM include:

- sub-licensing access to the database and patents to major pharmaceutical companies for cross-resistance testing of newer generations of drugs targeting HBV. Drug trials require monitoring of HBV drug resistance, especially with the revised licensing regulations for new antiviral viral agents;
- extension of the on-line platform to multiple infectious diseases such as HIV, HBV, HCV, SARS and other key pathogens. Utilising the same sophisticated analysis software and database technology, EM expects to be able to provide its customers (diagnostic and drug development companies, public health authorities, reference laboratories and researchers) with ready access to clinically relevant viral genetic sequences; and. use of the EM database and licensed technology for complementary opportunities - for example, the design of new drugs.

**ATF GROUP (PDF) LIMITED
DIRECTORS' REPORT**

Hunter Immunology Pty Ltd (HI)

ATF has invested \$500,000 in HI and, at this stage, does not intend to make any further investment. HI is in the business of vaccine development. In addition to the ongoing development of vaccines from its existing base, HI is well placed to identify and select further immunological products with a view to their commercial development for the pharmaceutical industry.

The key features of HI's business are that:

- the vaccine and delivery technologies address major medical needs;
- the vaccine and delivery technologies represent a quantum step forward in their respective clinical areas;
- the targeted medical needs are immediate, substantial and have a high level of public awareness;
- the targeted medical needs are important for both patients and governments;
- there is a strong demand for new immunological products from large multinational companies; and
- there is an established product pipeline which will ensure the ongoing development of further products.

Significant Changes in State of Affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this financial report.

Principal Activities

The Company is a pro-active investor in medical and other products / technologies and emerging companies both locally and overseas with a view to adding value to existing and future investments. No significant change in the nature of these activities occurred during the year.

**ATF GROUP (PDF) LIMITED
DIRECTORS' REPORT**

After Balance Date Events

Since balance date to the date of this report, the company had issued a further 7,557,500 shares raising \$1,511,500 and 1,511,500 options to various investors. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

ATF has worked closely with EM to formulate and implement Standard Licence and Collaboration Agreements as templates for all markets. Following negotiations over several months, the first license agreement and joint venture has been signed in Hong Kong setting the benchmark for further license opportunities in Asia, the United States and Europe.

Further EM license and collaboration agreements are under negotiation in Thailand, Italy, and Germany. The Directors anticipate that their completion over coming months will contribute favourably to ongoing investor perception.

Medcina Pty Ltd (MPL)

ATF has entered into a 50%-50% joint-venture with Chinese Medicines Scientific Consultants Pty Ltd (CMSC) to form MPL to commercially develop the Irritable Bowel Syndrome (IBS) formula currently held by CMSC together with a range of further validated Chinese herbal and natural medicines.

CMSC was founded in 1996 for the purpose of commercialising natural medicines based on traditional Chinese herbal remedies. CMSC uses conventional scientific approaches, together with core competencies in the design and formulation of Chinese Herbal Medicines (CHMs), to develop and then demonstrate the safety and efficacy of the selected formulations.

The process of adding value to MPL has progressed well. A second company Medcina Group Pty Ltd (ATF's shareholding 50%) was formed to acquire / license further formulas and intellectual property.

A global marketing and distribution agreement was executed between the two companies so that Medcina Group holds all distribution rights.

An agreement has been signed for the license of a range of up to thirteen clinically proven natural medicines for the treatment of women's health and fertility.

No other matter or circumstance has arisen since 30 June 2006 that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

**ATF GROUP (PDF) LIMITED
DIRECTORS' REPORT**

Likely Developments

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

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends Paid, Recommended, and Declared

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

**ATF GROUP (PDF) LIMITED
DIRECTORS' REPORT**

Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a director at any time during or since the end of the financial year is provided below, together with details of the company secretary as at the year end.

Directors and Company Secretary

Special Responsibilities

Sean Magee (LLB Hons)

Managing Director

Experience and Qualifications

With over 20 years international experience as a merchant banker, Séan has advised on the financial and structural aspects of corporate development from start-up private companies through to public listings, initial public offerings, international capital raisings, syndicated financing and mergers and acquisitions. He commenced his involvement in the investment sector as an analyst and institutional investment adviser, later moving to Corporate Finance and Mergers & Acquisitions as a merchant banker with Paine Belcher, Morgan Grenfell and subsequently Charterhouse Bank in London. Following approval from the Bank of England, Séan was registered with the Securities and Futures Association in the UK with a general dealership registration.

Jennifer Page

Director
International

Experience and Qualifications

Jennifer brings to the Company an extensive and in-depth understanding of Asia. As former Director – Business Development of FBR Asia Limited, she played a leading role in the development of the FBR Asia Group from a single office in Taipei in 1980 to a multi-national group covering the entire Asia-Pacific region. Appointed as Director – Business Development in 1984, she was responsible for multi-country initiatives throughout the region. These included the coordination of international business development activities, technology transfer and formulation of market entry strategies for clients from Europe, USA and Australia. These clients ranged from start-up and emerging companies to multinationals covering a diverse variety of industries.

**ATF GROUP (PDF) LIMITED
DIRECTORS' REPORT**

Directors and Company Secretary

Jim McLauchlan (MA Hons – Glasgow UK)

Experience and Qualifications

Jim has thirty years' experience in government and tertiary education, including over a decade as a member of the New South Wales Senior Executive Service, and a range of senior tertiary education management positions.

Since 2000, he has provided consulting services to government and universities, and has been part of the management team for the Australian Technology Fund for several years.

His professional background includes membership of the Australian Computing Society, and past Australasian President of the Association for Tertiary Education Management. He is a member of the Australasian Compliance Institute. He is a director of Australian Technology Fund Pty Ltd.

Ronald MacDonald (BSc Hons and PHD)

Experience and Qualifications

Ron has over 20 years experience in the establishment and development of start-up companies, technology transfer and the commercial development of intellectual property. Ron was chair of the Company's Scientific Advisory Panel.

Until April 2005, Ron held the position of Deputy Vice-Chancellor (Research and International) at the University of Newcastle, where he has had a distinguished career as a researcher and research manager. He has served several terms as a senior panel member in the Australian Research Council and has been National President of the Australian Institute of Physics, the Australian Institute of Nuclear Science and Engineering, and the National Deputy Vice-Chancellors (Research) Committee of the Australian Vice-Chancellors Committee. Ron has been a director of Hunter Immunology Pty Ltd. He has also been a director of several emerging companies and has served on the Boards of several Cooperative Research Centres and Centres of Excellence for research.

Special Responsibilities

Director Compliance

Executive Chairman
From August 2005
to 8 May 2006

**ATF GROUP (PDF) LIMITED
DIRECTORS' REPORT**

Directors and Company Secretary

Michael John Dalling (MAgrsc and PHD Illinois USA)

Experience and Qualifications

Mike has wide ranging experience of technology development, intellectual property management and commercialisation. He has been involved in several company start ups and is currently Chairman of Biomass Conversion Technologies Pty Ltd.

Mike was formerly Group General Manager – R&D of ASX-listed Nufarm Limited. Prior to joining Nufarm in 1999, Mike was Managing Director of the Strategic Industry Research Foundation Limited, a joint initiative of the Victorian Government and CSIRO, and Managing Director of Florigene Limited, one of Australia's first biotechnology companies. He is currently Chairman of the Biomedical Imaging Development CRC and a Board member of the Innovative Dairy Products CRC.

J. A. (Tony) Wigginton

Experience and Qualifications

Tony is a qualified accountant, and is currently an authorised representative of Falconer Bellomo & Company Ltd, a Melbourne based licensed securities dealer. He has over 26 years experience in the banking and stockbroking industry, both in Australia and overseas. He has held executive management positions with a number of major international banks in Australia, the United States and Asia.

Special Responsibilities

Non Executive
Director From
August 2005 to 14
February 2006

Company Secretary

**ATF GROUP (PDF) LIMITED
DIRECTORS' REPORT**

Directors' Meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

Directors Meetings	
Eligible to attend	Attended
Sean Magee	4
Jennifer Page	1
Jim McLauchlan	2
Ronald MacDonald	3
Michael John Dalling	2
J. A. Wigginton	-

Directors' Interests in Shares or Options

Directors' relevant interests in shares or options over shares in the company as at the date of this report are detailed below.

	Ordinary Shares	Options over shares
Sean Magee (1)	8,814,629	-
Jennifer Page (2)	3,167,572	-
Jim McLauchlan	3,167,572	-
Ronald MacDonald	3,167,572	-
Michael John Dalling	250,000	-
J. A. Wigginton	-	-

Note (1) Mr Magee is a beneficial owner of 25% of FBRI Australia Ltd which in turn owns 39% of The Australian Technology Fund Pty Ltd.

Note (2) Ms Page is beneficial owner of 25% of FBRI Australia Ltd which in turn owns 39% of The Australian Technology Fund Pty. Ltd.

Options

Unissued ordinary shares under option at the date of this report are as follows:

Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
10,477,900	\$0.20	31 st August 2007

No option holder has any right under the options to participate in any other share issue of the company.

**ATF GROUP (PDF) LIMITED
DIRECTORS' REPORT**

Shares Issued On Exercise of Options

No ordinary shares were issued during or since the end of the financial year as a result of the exercise of an option.

There are no amounts unpaid on shares issued on exercise of options.

Indemnification of Officer

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Auditor's Independence Declaration

A copy of the auditor's declaration under Section 307C of the Corporations Act 2001 in relation to the audit for the financial year is provided with this report.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

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



Director _____

Sean Magee

Dated this 29 day of June 2007

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of ATF Group (PDF) Limited

In relation to the independent audit for the year ended 30 June 2006, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'M Pringle', with a stylized flourish at the end.

MATTHEW PRINGLE

Partner

PITCHER PARTNERS

Melbourne, 29 June 2007

ATF GROUP (PDF) LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$	2005 \$
Revenue	2	<u>123,971</u>	<u>-</u>
Travelling expenses		(145,543)	-
Occupancy expenses		(39,124)	-
Administrative expenses		(1,100,494)	-
Legal fees		<u>(111,591)</u>	<u>-</u>
		<u>(1,396,752)</u>	<u>-</u>
Profit (loss) before income tax expense		(1,272,781)	-
Income tax benefit (income tax expense)	4	<u>-</u>	<u>-</u>
Profit (loss) from operations		<u>(1,272,781)</u>	<u>-</u>

The accompanying notes form part of these financial statements.

ATF GROUP (PDF) LIMITED
BALANCE SHEET
AS AT 30 JUNE 2006

	Notes	2006 \$	2005 \$
CURRENT ASSETS			
Cash and cash equivalents	5	1,172,988	100
Other assets	6	<u>109,106</u>	<u>-</u>
TOTAL CURRENT ASSETS		<u>1,282,094</u>	<u>100</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	93,921	-
Other financial assets	7	2,561,070	-
Other assets	6	<u>27,073</u>	<u>-</u>
TOTAL NON-CURRENT ASSETS		<u>2,682,064</u>	<u>-</u>
TOTAL ASSETS		<u>3,964,158</u>	<u>100</u>
CURRENT LIABILITIES			
Trade and other payables	9	46,646	-
Other	10	<u>419,423</u>	<u>-</u>
TOTAL CURRENT LIABILITIES		<u>466,069</u>	<u>-</u>
TOTAL LIABILITIES		<u>466,069</u>	<u>-</u>
NET ASSETS		<u>3,498,089</u>	<u>100</u>
EQUITY			
Share capital	11	4,770,870	100
Retained earnings/(accumulated losses)		<u>(1,272,781)</u>	<u>-</u>
TOTAL EQUITY		<u>3,498,089</u>	<u>100</u>

The accompanying notes form part of these financial statements.

ATF GROUP (PDF) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$	2005 \$
Total equity at the beginning of the financial year		<u>100</u>	<u>100</u>
Profit (loss) for the year		<u>(1,272,781)</u>	<u>-</u>
Total recognised income and expense for the year		<u>(1,272,781)</u>	<u>-</u>
Transactions with equity holders in their capacity as equity holders:			
- contributions of equity net of transaction costs		<u>4,770,770</u>	<u>-</u>
		<u>4,770,770</u>	<u>-</u>
Total equity at the end of the financial year		<u>3,498,089</u>	<u>100</u>

The accompanying notes form part of these financial statements.

ATF GROUP (PDF) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$	2005 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		71,000	-
Payments to suppliers and employees		(1,310,571)	-
Interest received		<u>52,971</u>	<u>-</u>
Net cash used in operating activities	13	<u>(1,186,600)</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(98,139)	-
Payments for rental bonds		(27,073)	-
Payment for investments		<u>(2,561,070)</u>	<u>-</u>
Net cash used in investing activities		<u>(2,686,282)</u>	<u>-</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue net of costs		4,770,770	100
Proceeds from subscriptions for shares not allotted at balance date		<u>275,000</u>	<u>-</u>
Net cash provided by financing activities		<u>5,045,770</u>	<u>100</u>
Net increase in cash and cash equivalents		1,172,888	100
Cash and cash equivalents at beginning of year		<u>100</u>	<u>-</u>
Cash and cash equivalents at end of year	5	<u>1,172,988</u>	<u>100</u>

The accompanying notes form part of these financial statements.

ATF GROUP (PDF) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report is for ATF Group (PDF) Limited as an individual entity. ATF Group (PDF) Limited is a company limited by shares, incorporated and domiciled in Australia and is a registered pooled development fund,

This is the first annual financial report prepared in accordance with Australian Equivalents of International Financial Reporting Standards (AIFRS). The financial reports of ATF Group (PDF) Limited were prepared in accordance with the previous Australian Generally Accepted Accounting Principles (AGAAP) until 30 June 2005.

The financial report has been prepared on an accruals basis and is based on historical costs. It does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Revenue

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

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

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

(b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and equipment

Plant and equipment is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets are depreciated over their estimated useful lives to the company commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

<i>Class of fixed asset</i>	<i>Depreciation rates</i>	<i>Depreciation basis</i>
Leasehold improvements	17%	Straight Line
Office Equipment	7.5 to 50 %	Straight Line

ATF GROUP (PDF) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Property, Plant and Equipment (continued)

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives received under operating leases are recognised as a liability. Lease payments received reduced the liability.

(c) Income Tax

The Company is a registered Pooled Development Fund (PDF). The PDF program was established by the Federal Government in 1993 to encourage investment in small and medium-sized Australian enterprises.

Favourable tax treatment is available for both the Company and its shareholders: There is no capital gains tax on the sale of shares held by a shareholder in a PDF. Shareholders may elect to treat dividends paid by the Company as tax exempt or treat the franked amount of any such dividend as assessable income in order to receive the benefit of the attached franking credits.

The Company pays a corporate tax rate of 15% on PDF investment income and 25% on other income.

To maintain its status as a PDF, the Company must comply with the regulations imposed by the Pooled Development Funds Act 1992. The Company has to conduct its investment activities in accordance with the following:

1. It must invest 65% of its raised capital within five years of the raising.
2. It may only invest in new shares in Australian companies.
3. It must invest over \$500,000 in each investment or, if it invests a lesser sum, take a minimum 10% equity in the investee company.
4. Investee companies must have less than A\$50 million in total assets.
5. The funds invested by the Company must be used to establish an eligible business, to substantially expand production capacity or to substantially expand existing markets of an eligible business.

ATF GROUP (PDF) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Finance Costs

Finance costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

Finance costs are expensed as incurred, except for finance costs incurred as part of the cost of a qualifying asset, which are capitalised. The capitalisation rate is the weighted average of the finance costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

(e) Impairment of assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(f) Financial Instruments

Classification

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

The company is a venture capitalist organisation, and designates its investments as being fair value through the profit and loss. The scope of AASB 128 Investments in Associates allows this treatment for venture capitalist organisations even though the company may have significant influence in an investee.

Loans and Receivables

Loan and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial Liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

(g) Comparative Figures

The company was incorporated on 5 September 2003. The company did not commence operations until the 30 June 2006 financial year.

ATF GROUP (PDF) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Critical Accounting Estimates and Assumptions

The company makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results.

The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

(a) Income taxes

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. No impairment has been recognised in respect of investments in unlisted entities for the year ended 30 June 2006, as the unlisted entities recently incorporated and are in the early stages of research and development. Accordingly there is an inherent uncertainty associated with the valuation of these entities.

(i) Issued or Amended Australian Accounting Standards

There are a number of issued or amended Australian accounting standards, which are not effective at balance date. These have not been adopted in the preparation of the financial statements and none are expected to significantly impact on the future results of the company.

ATF GROUP (PDF) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
NOTE 2: REVENUE			
Operating activities			
- rendering of services		71,000	-
- interest		<u>52,971</u>	<u>-</u>
Total Revenue		<u><u>123,971</u></u>	<u><u>-</u></u>

NOTE 3: PROFIT (LOSS) FROM ACTIVITIES

Profit / (losses) before income tax has been determined after:

Expenses:

Auditors remuneration			
- audit services		12,000	-
- non-audit services		<u>3,000</u>	<u>-</u>
		<u><u>15,000</u></u>	<u><u>-</u></u>
Depreciation of non-current assets			
- Plant and equipment		<u>4,218</u>	<u>-</u>

NOTE 4: INCOME TAX EXPENSE

Income tax expense attributable to profit (loss)		<u><u>-</u></u>	<u><u>-</u></u>
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The company's taxable income was nil as the company incurred a tax loss at balance date.

NOTE 5: CASH AND CASH EQUIVALENTS

CURRENT

Cash at bank		<u><u>1,172,988</u></u>	<u><u>100</u></u>
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NOTE 6: OTHER ASSETS

CURRENT

Other debtors		<u>109,106</u>	<u>-</u>
		<u><u>109,106</u></u>	<u><u>-</u></u>

NON CURRENT

Other non current debtors		<u>27,073</u>	<u>-</u>
		<u><u>27,073</u></u>	<u><u>-</u></u>

ATF GROUP (PDF) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
NOTE 7: OTHER FINANCIAL ASSETS			
NON CURRENT			
Shares in unlisted companies – at cost		<u>2,561,070</u>	<u>-</u>
<i>Represented by:</i>			
Evivar Medical Pty Ltd		2,048,339	-
Hunter Immunology Pty Ltd		512,727	-
Medcina Pty Ltd		2	-
Medcina Group Pty Ltd		<u>2</u>	<u>-</u>
		<u>2,561,070</u>	<u>-</u>

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

NON CURRENT

Leasehold Improvements

At cost	63,671	-
Less accumulated depreciation	<u>(1,537)</u>	<u>-</u>
	<u>62,134</u>	<u>-</u>

Plant and Equipment

Furniture, fixtures and fittings		
At cost	34,468	-
Less accumulated depreciation	<u>(2,681)</u>	<u>-</u>
	<u>31,787</u>	<u>-</u>
Total property, plant and equipment	<u>93,921</u>	<u>-</u>

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Leasehold improvements \$	Furniture, fixtures & fittings \$	Total \$
2006			
Additions	63,671	34,468	98,139
Depreciation expense	<u>(1,537)</u>	<u>(2,681)</u>	<u>(4,218)</u>
Carrying amount at end of year	<u>62,134</u>	<u>31,787</u>	<u>93,921</u>

ATF GROUP (PDF) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 9: TRADE AND OTHER PAYABLES

CURRENT

Unsecured liabilities

Trade creditors	34,669	-
Sundry creditors	<u>11,977</u>	<u>-</u>
	<u>46,646</u>	<u>-</u>

NOTE 10: OTHER LIABILITIES

CURRENT

Accrued expenses	144,423	-
Other current liabilities	<u>275,000</u>	<u>-</u>
	<u>419,423</u>	<u>-</u>

NOTE 11: SHARE CAPITAL

Issued and paid up capital

59,883,875: (2005: 100) ordinary shares	11(a)	<u>4,770,870</u>	<u>100</u>
		<u>4,770,870</u>	<u>100</u>

(a) ordinary shares

At the beginning of the reporting period	100	-
Shares issued during the year		
- 59,883,775 ordinary shares	5,210,400	100
Transaction costs incurred in issuing shares	<u>(439,630)</u>	<u>-</u>
At reporting date	<u>4,770,870</u>	<u>100</u>

	Number	Number
At the beginning of reporting period	100	-
Shares issued during year	<u>59,883,775</u>	<u>100</u>
At reporting date	<u>59,883,875</u>	<u>100</u>

Ordinary shares

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

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

ATF GROUP (PDF) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 11: SHARE CAPITAL (CONTINUED)

Options

The number of options on issue at 30 June 2006 is 8,510,400.

Options are issued generally on the basis of one option for every five shares purchased, excluding Director related entities.

Options were issued at Nil value.

Entitlement

Each Option entitles the holder (Option Holder) to subscribe for and be allotted one Share, credited as fully paid.

Shares issued on the exercise of Options will rank equally with all existing Shares on issue as at the exercise date and will be subject to the provisions of the Constitution.

Exercise of Options

The final date for exercise of an Option will be 31 August 2007 (Expiry Date).

The exercise price of each Option is \$0.20 (Exercise Price).

An Option is exercisable by the Option Holder signing and delivering a notice of exercise of an Option and application for Shares together with the Exercise Price for each Share to be issued upon exercise of each Option, to the Registry.

All Options not exercised on or before the Expiry Date will lapse.

In the event of liquidation of the Company, all unexercised Options will lapse.

ATF GROUP (PDF) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 12: RELATED PARTY TRANSACTIONS

Directors and Executives Compensation

(a) Details of Key Management Personnel

(i) Directors

Sean Magee	Chairman --Executive
Jennifer Page	Director and Executive 27 March 2006
Jim McLauchlan	Director --Executive- appointed 14 February 2006
Ronald MacDonald	Director -- Executive Chairman Appointed 17 August 2005 resigned 8 May 2006
Michael Dalling	Director- Non Executive Appointed 17 August 2005 resigned 14 February 2006

(ii) Executives

Scott Altman	Financial Controller. Appointed May 2006.
J.A. Wigginton	Company Secretary. Appointed 4 October 2005

NOTE 12: RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Number of shares held by Key Management Personnel or associated entities:

	Balance 1/07/05	Allotted during the year	Balance 30/06/06
Directors			
Sean Magee (1)	100	8,814,529	8,814,629
Jennifer Page (2)	-	3,167,572	3,167,572
Jim McLauchlan	-	3,167,572	3,167,572
Ronald MacDonald	-	3,167,572	3,167,572
Michael Dalling	-	250,000	250,000

Note (1) & (2) Mr Magee and Ms Page are each beneficial owners of 25% of FBRI Australia Ltd which in turn owns 39% of The Australian Technology Fund Pty Ltd.

c) Number of options held by Key Management Personnel or associated entities

	Balance 01 /07/2005	Net change other*	Balance 30/06/2006	Total vested 30/06/06	Total Exercisable 30/06/06
Directors					
Sean Magee	Nil	Nil	Nil	Nil	Nil
Jennifer Page	Nil	Nil	Nil	Nil	Nil
Jim McLauchlan	Nil	Nil	Nil	Nil	Nil
Ronald MacDonald	Nil	Nil	Nil	Nil	Nil
Michael Dalling	Nil	Nil	Nil	Nil	Nil

ATF GROUP (PDF) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 12: RELATED PARTY TRANSACTIONS (CONTINUED)

Other related party transactions

Transactions with key management personnel of the entity and their related entities.

An amount of \$773,150 was paid to Australian Technology Fund Management Limited for the services of Sean Magee, Jennifer Page, Jim McLauchlan and Ronald MacDonald. The fee was in accordance with a Management Service agreement commencing on 1 July 2005. An amount of \$44,000 was outstanding at balance date.

NOTE 13: CASH FLOW INFORMATION	2006	2005
	\$	\$
(a) Reconciliation of cash flow from operations with profit(loss) from ordinary activities after income tax		
Profit (loss) from ordinary activities after income tax	(1,272,781)	-
Non-cash flows in profit (loss) from ordinary activities		
Depreciation	4,218	-
Changes in assets and liabilities		
(Increase)/decrease in receivables	(109,106)	-
Increase/(decrease) in payables	<u>191,069</u>	<u>-</u>
Cash flows from operations	<u><u>(1,186,600)</u></u>	<u><u>-</u></u>

NOTE 14: COMPANY DETAILS

The registered office and principal place of business of the company is:

Suite 105
8 Century Circuit, Norwest Business Park
Baulkham Hills NSW 2153

NOTE 15: CAPITAL AND LEASING COMMITMENTS

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable		
- not later than one year	53,900	-
- later than one year and not later than five years	<u>85,400</u>	<u>-</u>
	<u><u>139,300</u></u>	<u><u>-</u></u>

General description of leasing arrangement:

The leasing commitments generally represent a property lease. The lease is for period of three years with a three year option.

ATF GROUP (PDF) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 16: FINANCIAL INSTRUMENTS

The company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities are as follows:

	Interest Rate %	Non-Interest Rate Bearing \$	Interest Bearing \$	Total 30 June 2006 \$
Financial Assets				
Cash at bank	4.65	-	1,142,988	1,142,988
Fixed Term Deposit account	5.22	-	30,000	30,000
Other financial assets		2,561,070	-	2,561,070
Financial Liabilities				
Trade Payables		34,669	-	34,669

NOTE 17: AFTER BALANCE DATE EVENTS

Since balance date to the date of this report, the company had issued a further 7,557,500 shares raising \$1,511,500 and 1,511,500 options to various investors. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

ATF has worked closely with EM to formulate and implement Standard Licence and Collaboration Agreements as templates for all markets. Following negotiations over several months, the first license agreement and joint venture has been signed in Hong Kong setting the benchmark for further license opportunities in Asia, the United States and Europe.

Further EM license and collaboration agreements are under negotiation in Thailand, Italy, and Germany. The Directors anticipate that their completion over coming months will contribute favourably to ongoing investor perception.

The process of adding value to ATF's other key investment Medcina, has progressed well. A second company Medcina Group Pty Ltd (ATF's shareholding 50%) was formed to acquire / license further formulas and intellectual property.

A global marketing and distribution agreement was executed between the two companies so that Medcina Group holds all distribution rights.

An agreement has been signed for the license of a range of up to thirteen clinically proven natural medicines for the treatment of women's health and fertility.

No other matter or circumstance has arisen since 30 June 2006 that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

ATF GROUP (PDF) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 18: SEGMENT INFORMATION

The company has the following business segments and geographical segments:

(a) Business segments

The company is a pro-active investor in medical and other products / technologies and emerging companies locally with a view to adding value to existing and future investments.

(b) Geographical segments

The company operates predominantly within Australia.

ATF GROUP (PDF) LIMITED

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, comprising the Directors' Declaration, Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, are in accordance with the *Corporations Act 2001*:
 - (a) comply with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 30 June 2006 and performance for the financial year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Director _____

Sean Magee

Dated this 29 day of June 2007

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
ATF GROUP (PDF) LIMITED**

Scope

We have audited the financial report of ATF Group (PDF) Limited for the financial year ended 30 June 2006 comprising the Directors' Declaration, Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements.

The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of ATF Group (PDF) Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory professional requirements in Australia.

PITCHER PARTNERS



MATTHEW PRINGLE

Partner

Melbourne 29 June 2007