



**AFT CORPORATION LTD  
AND CONTROLLED ENTITIES**

**ABN 33 004 701 062**

**INTERIM FINANCIAL REPORT**

**30 JUNE 2006**

**AFT CORPORATION LTD  
AND CONTROLLED ENTITIES  
ABN 33 004 701 062**

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**AFT CORPORATION LTD  
AND CONTROLLED ENTITIES  
ABN 33 004 701 062**

**DIRECTORS' REPORT  
FOR THE HALF-YEAR ENDED 30 JUNE 2006**

The Board of Directors of AFT Corporation Ltd has pleasure in submitting its report in respect of the half-year ended 30 June 2006.

**DIRECTORS**

The names of the Directors in office during or since the end of the half-year are:

<b>Name</b>	<b>Period of Directorship</b>
Douglas Wood <i>Executive chairman</i>	Appointed 28 November 2003
James Palmer <i>Managing director</i>	Appointed 25 October 2005
Robert Greenfield <i>Executive director</i>	Appointed 17 March 2006
Scott Perkins <i>Non-executive director</i>	Appointed 4 August 2006
Jeffrey Dalco <i>Non-executive director</i>	Resigned 17 March 2006
Andrew Beckett <i>Non-executive director</i>	Resigned 17 March 2006

**PRINCIPAL ACTIVITY**

The principal activity of the economic entity during the half-year was marketing of the Microgenix air purification system.

**RESULTS**

The result for the half-year ended 30 June 2006 after income tax is a loss of \$2,297,063 (2005 loss: \$1,120,927).

**REVIEW OF OPERATIONS**

On 17 January 2006 the Company entered into an agreement with Health Energy and Ventilation Australia Pty Ltd for the distribution of Microgenix systems across Australia.

On 18 January 2006 the Company entered into a Memorandum of Understanding with Advanced Fastening Systems South Africa ("AFS") giving AFS rights to manufacture and sell products that incorporate the Microgenix technology under its own brand.

On 1 February 2006 the Company placed 40 million shares at 2 cents each to raise \$800,000 in working capital.

On 1 February 2006 the Company announced that the Microgenix technology was selected for, and incorporated into, the air handling system of HMS Daring, claimed to be the most advanced warship in the world, and the first of six to be ordered by the Royal Navy.

On 9 March 2006 the Company announced a Share Purchase Plan ("SPP") for up to \$5,000 of shares at an issue price of 1.75 cents per share. The SPP resulted in the issue of 40,857,245 shares to raise \$715,000 in working capital.

On 13 March 2006 the Company signed a Memorandum of Understanding with Portsmouth Aviation ("PA") whereby PA will incorporate Microgenix technology into its designs in order to provide world class air sterilization systems to its network of security and quality conscious customers.

On 14 March 2006 the Company signed a Memorandum of Understanding with York Navy Systems ("York") whereby York will include Microgenix systems as an option on all new bids.

On 20 March 2006 Mr Jeff Dalco and Mr Andrew Beckett resigned as directors, and Mr Robert Greenfield was appointed to the Board.

On 26 May 2006 the Company's wholly owned UK subsidiary Microgenix Technologies Limited ("MTL") commenced proceedings in the High Court of Justice in London against Philip Hall, two companies associated with him, Interactive Air Limited ("IAA") and Ex Technology Ltd ("ExTechnology") and Raymond Malyon.

Mr Hall was formerly Managing Director of MTL and Mr Malyon its head of research and development. The proceedings relate to certain IP developed by MTL and business opportunities which were maturing when Messrs Hall and Malyon held the positions described above which are now being exploited by ExTechnology and which the directors of MTL believe properly belong to it.

#### **Cash Flow**

As mentioned in prior half-year and annual reports, the Company will be undertaking further capital raisings in the future to fund the expanding activities of the new Microgenix-Global Division and the Company generally.

#### **LEAD AUDITORS' INDEPENDENCE DECLARATION**

The auditor's independence declaration is included after this Director's Report and forms part of the Directors' Report for the half-year ended 30 June 2006.

This report has been made in accordance with a resolution of Directors.

*Douglas Wood*

**DOUGLAS WOOD**  
**Chairman**

Perth, Western Australia  
4 September 2006

CHARTERED  
ACCOUNTANTS  
& BUSINESS  
ADVISORS

A MEMBER OF  
MOORES ROWLAND  
INTERNATIONAL



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4<sup>th</sup> September 2006

The Board of Directors  
AFT Corporation Limited  
Level 2, 45 Stirling Highway  
NEDLANDS WA 6009

Dear Board Members,

**AFT CORPORATION LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of AFT Corporation Limited.

As lead audit partner for the review of the financial statements of AFT Corporation Limited for the half-year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,

**BENTLEYS MRI PERTH PARTNERSHIP**

A handwritten signature in black ink, appearing to read 'M. Anghie', is written over a horizontal line.

**MAURICE L. ANGHIE**  
**PARTNER**

**Chartered Accountants**

A member of Bentleys MFC, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practising as Bentleys MRI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.

**AFT CORPORATION LTD  
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ABN 33 004 701 062**

**CONDENSED INTERIM INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	Notes	Consolidated	
		30 June 2006 \$	30 June 2005 \$
Revenue	3	7,500	105,261
Cost of sales		(168,378)	(70,357)
<b>Gross (loss)/profit</b>		<u>(160,878)</u>	<u>34,904</u>
Other income	3	36,375	27,896
Other expenses	3	(2,172,560)	(1,644,810)
<b>(Loss) from continuing operations before tax and finance costs</b>	3	<u>(2,297,063)</u>	<u>(1,582,010)</u>
Finance costs		-	(12)
<b>(Loss) before income tax</b>		<u>(2,297,063)</u>	<u>(1,582,022)</u>
Income tax expense		-	-
<b>(Loss) for the period</b>		<u>(2,297,063)</u>	<u>(1,582,022)</u>
Loss attributable to minority interest		-	461,095
<b>Net (loss) attributable to members of the parent</b>		<u><u>(2,297,063)</u></u>	<u><u>(1,120,927)</u></u>
Earnings per share			
- Basic and diluted (cents per share)		<u><u>(0.25)</u></u>	<u><u>(0.15)</u></u>

**The accompanying notes form an integral part of this condensed interim income statement.**

**AFT CORPORATION LTD  
AND CONTROLLED ENTITIES  
ABN 33 004 701 062**

**CONDENSED INTERIM BALANCE SHEET  
AS AT 30 JUNE 2006**

		<b>Consolidated</b>	
		<b>30 June</b>	<b>31 December</b>
		<b>2006</b>	<b>2005</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,079,610	1,371,242
Trade and other receivables		95,043	108,548
Inventories		173,547	111,639
Other		2,224	-
<b>TOTAL CURRENT ASSETS</b>		<u>1,350,424</u>	<u>1,591,429</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		11,963	9,700
Intangible assets		8,211,822	8,573,132
<b>TOTAL NON-CURRENT ASSETS</b>		<u>8,223,785</u>	<u>8,582,832</u>
<b>TOTAL ASSETS</b>		<u>9,574,209</u>	<u>10,174,261</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		435,528	450,764
Provisions		26,303	33,618
Convertible notes	4	1,666,667	1,333,334
Non-interest bearing loan		509,560	482,785
<b>TOTAL CURRENT LIABILITIES</b>		<u>2,638,058</u>	<u>2,300,501</u>
<b>NON-CURRENT LIABILITIES</b>			
Convertible notes	4	333,333	666,666
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>333,333</u>	<u>666,666</u>
<b>TOTAL LIABILITIES</b>		<u>2,971,391</u>	<u>2,967,167</u>
<b>NET ASSETS</b>		<u>6,602,818</u>	<u>7,207,094</u>
<b>EQUITY</b>			
Issued capital	5	97,185,126	95,764,202
Other reserves		228,675	(43,188)
Accumulated losses		(90,810,983)	(88,513,920)
<b>TOTAL EQUITY</b>		<u>6,602,818</u>	<u>7,207,094</u>

**The accompanying notes form an integral part of this condensed interim balance sheet.**

**AFT CORPORATION LTD  
AND CONTROLLED ENTITIES  
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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	Issued capital \$	Accumulated losses \$	Other reserves \$	Total \$	Minority interest \$	Total equity \$
<b>CONSOLIDATED</b>						
<b>At 1 January 2006</b>	95,764,202	(88,513,920)	(43,188)	7,207,094	-	7,207,094
Additional capital from share placement	800,000	-	-	800,000	-	800,000
Additional capital from share purchase plan	715,000	-	-	715,000	-	715,000
Currency translation differences	-	-	271,863	271,863	-	271,863
<b>Total income and expense for the period recognised directly in equity</b>	<b>97,279,202</b>	<b>(88,513,920)</b>	<b>228,675</b>	<b>8,993,957</b>	<b>-</b>	<b>8,993,957</b>
Loss for the period	-	(2,297,063)	-	(2,297,063)	-	(2,297,063)
<b>Total income/expense for the period</b>	<b>97,279,202</b>	<b>(90,810,983)</b>	<b>228,675</b>	<b>6,696,894</b>	<b>-</b>	<b>6,696,894</b>
Share issue costs	(94,076)	-	-	(94,076)	-	(94,076)
<b>At 30 June 2006</b>	<b>97,185,126</b>	<b>(90,810,983)</b>	<b>228,675</b>	<b>6,602,818</b>	<b>-</b>	<b>6,602,818</b>
<b>At 1 January 2005</b>	<b>92,657,672</b>	<b>(85,817,417)</b>	<b>36,808</b>	<b>6,877,063</b>	<b>547,015</b>	<b>7,424,078</b>
Additional capital from share purchase plan	1,199,000	-	-	1,199,000	-	1,199,000
Acquisition of Microgenix Technologies Ltd	704,491	-	199,766	904,257	(547,015)	357,242
Currency translation differences	-	-	14,105	14,105	-	14,105
<b>Total income and expense for the period recognised directly in equity</b>	<b>94,561,163</b>	<b>(85,817,417)</b>	<b>250,679</b>	<b>8,994,425</b>	<b>-</b>	<b>8,994,425</b>
Loss for the period	-	(1,120,927)	-	(1,120,927)	-	(1,120,927)
<b>Total income/expense for the period</b>	<b>94,561,163</b>	<b>(86,938,344)</b>	<b>250,679</b>	<b>7,873,498</b>	<b>-</b>	<b>7,873,498</b>
Cost of share-based payment	-	-	3,413	3,413	-	3,413
Share issue costs	(51,453)	-	-	(51,453)	-	(51,453)
<b>At 30 June 2005</b>	<b>94,509,710</b>	<b>(86,938,344)</b>	<b>254,092</b>	<b>7,825,458</b>	<b>-</b>	<b>7,825,458</b>

**The accompanying notes form an integral part of this condensed interim statement of changes in equity.**



**AFT CORPORATION LTD  
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**CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	<b>Consolidated</b>	
	<b>30 June 2006</b>	<b>30 June 2005</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	-	294,616
Payments to suppliers and employees	(1,740,011)	(1,184,285)
Interest received	36,375	27,888
Interest paid	-	(12)
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(1,703,636)</b>	<b>(861,793)</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Payment for purchase of equity in subsidiary	-	(34,140)
Purchase of property, plant and equipment	(7,029)	-
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(7,029)</b>	<b>(34,140)</b>
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	1,515,000	1,199,000
Share issue costs	(94,076)	(51,453)
	<hr/>	<hr/>
<b>Net cash provided by financing activities</b>	<b>1,420,924</b>	<b>1,147,547</b>
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	(289,741)	251,614
Cash and cash equivalents at beginning of period	1,371,242	811,330
Effect of exchange rates on cash holdings in foreign currencies	(1,891)	(8,102)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	<b>1,079,610</b>	<b>1,054,842</b>
	<hr/> <hr/>	<hr/> <hr/>

**The accompanying notes form an integral part of this condensed interim cash flow statement.**

**AFT CORPORATION LTD  
AND CONTROLLED ENTITIES  
ABN 33 004 701 062**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2006**

**1. CORPORATE INFORMATION**

The financial report of AFT Corporation Ltd ("the Company") for the half-year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 31 August 2006. AFT Corporation Ltd is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The principal activity of the Company is discussed in the Directors' Report.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as the full financial report. Accordingly, this report is to be read in conjunction with the annual financial report of AFT Corporation Ltd for the year ended 31 December 2005 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**(a) Basis of preparation**

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards, including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements. The half-year financial report has been prepared on a historical cost basis.

This financial report is presented in Australian dollars.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

**(b) Significant accounting policies**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 December 2005, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 January 2006, as described in Note 2(d).

**(c) Basis of consolidation**

The half-year consolidated financial statements comprise the financial statements of AFT Corporation Ltd and its subsidiaries as at 30 June 2006 ("the Group").

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Changes in accounting policies

Australian Accounting Standards and IJG Interpretations that have recently been amended and are effective from 1 January 2006 are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group accounting policies	Application date
AASB 2005-1	Amendments to Australian Accounting Standard	Amendment to AASB 139 to allow the foreign currency risk of a highly probable intra-group forecast transaction to qualify as the hedged item in certain circumstances.	For annual reporting periods beginning on or after 1 January 2006	The Group has not entered into hedged transactions. For the half-year ended 30 June 2006, there has been no financial impact.	1 January 2006
AASB 2005-4	Amendments to Australian Accounting Standard [AASB 139, AASB 132, AASB 1, AASB 1023 & AASB 1038]	Amendments relate to the restriction on designating financial instruments at fair value through profit and loss.	For annual reporting periods beginning on or after 1 January 2006	These requirements relate to transactions that the Group has not entered into and therefore there has been no impact.	1 January 2006
AASB 2005-5	Amendments to Australian Accounting Standards [AASB 1 & AASB 139]	Consequential amendments made to AASB 1 due to the issue of IJG Interpretations 4 <i>Determining whether an Arrangement contains a Lease</i> . Consequential amendments made to AASB 139 due to the issue of IJG Interpretations 5 <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i> .	For annual reporting periods beginning on or after 1 January 2006	These requirements relate to transactions that the Group has not entered into and therefore there has been no impact.	1 January 2006
AASB 2005-6	Amendments to Australian Accounting Standards [AASB 3]	The definition of "contribution" by "owners" is removed and the AASB 3 scope exclusion for business combinations involving entities or business under common control is adopted.	For annual reporting periods beginning on or after 1 January 2006	These requirements are consistent with the Group's existing accounting policies and therefore there has been no impact.	1 January 2006
AASB 2005-9	Amendments to Australian Accounting Standards [AASB 4, AASB 103, AASB 139 & AASB 132]	The amendments to all four standards provide guidance as to which standard applies to financial guarantee contracts under certain circumstances.	For annual reporting periods beginning on or after 1 January 2006	The parent does not provide financial guarantees to its subsidiaries. Therefore there is no impact to the Group.	1 January 2006

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Changes in accounting policies (continued)

Reference	Title	Summary	Application date of standard	Impact on Group accounting policies	Application date
AASB 2006-1	Amendments to Australian Accounting Standards [AASB 121]	The amendment clarifies the requirements relating to an entity's investment in foreign operations and assists the financial reporting of entities with investments in operations that have a different functional currency.	For annual reporting periods ending on or after 31 December 2006	These requirements are consistent with the Group's existing accounting policies and therefore there has been no impact.	1 January 2006
UIG 4	Determining whether an arrangement contains a Lease	Specifies criteria for determining whether an arrangement is or contains, a lease.	For annual reporting periods beginning on or after 1 January 2006	These requirements relate to transactions that the Group has not entered into and therefore there has been no impact.	1 January 2006
UIG 5	Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds	Addresses accounting for the rights to interests in decommissioning, restoration and environmental rehabilitation funds and for additional contributions to such a fund.	For annual reporting periods beginning on or after 1 January 2006	These requirements relate to transactions that the Group has not entered into and therefore there has been no impact.	1 January 2006
UIG 7	Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies	Addresses the requirements of AASB 129 for an entity while it operates in a hyperinflationary economy in the current period, but not in the prior period.	For annual reporting periods beginning on or after 1 March 2006	These requirements are not applicable to the Group and therefore there has been no impact.	1 March 2006
UIG 8	Scope of AASB 2	Clarifies that the scope of AASB 2 deals with transactions in which an entity cannot identify specifically some or all of the goods or services received as consideration for the share-based payment instrument.	For annual reporting periods ending on or after 1 May 2006	These requirements are consistent with the Group's existing accounting policies and therefore there has been no impact.	1 May 2006
UIG 9	Reassessment of Embedded Derivatives	Requires an embedded derivative that has been combined with a non-derivative to be separated from the host contract and accounted for as a derivative in certain circumstances.	For annual reporting periods ending on or after 1 June 2006	These requirements relate to transactions that the Group has not entered into and therefore there has been no impact.	1 June 2006

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Correction to prior period earnings

The Company incorrectly recorded the value of the revaluation reserve and accumulated losses equity accounts for one of its wholly owned subsidiaries, in a prior period.

In the 2005 annual report, the error overstated "other reserves" by \$344,010 (£145,998), while the offset of this error overstated "accumulated losses" by the same amount. There was no effect of this error on the net loss or net asset balances.

## 3. REVENUE AND EXPENSES

### Specific items

Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

	Consolidated	
	30 June 2006	30 June 2005
	\$	\$
<i>Revenue</i>		
Sale of goods	7,500	105,261
<i>Other income</i>		
Interest received	36,375	27,896
<i>Expenses</i>		
Bad and doubtful debts	25,000	4,519
Amortisation of intellectual property	663,950	427,525
Expense of share-based payments	-	3,413
Depreciation	4,787	2,511
Foreign exchange loss/(profit)	2,073	211,719

## 4. CONVERTIBLE NOTES/GOING CONCERN

The Balance Sheet shows a deficiency of current assets over current liabilities. However, current liabilities include \$1,666,667 in relation to convertible notes.

The convertible notes, shown at face value in current and non-current liabilities, attract no interest and are convertible at the noteholder's discretion, subject to the terms of the issuing agreement. All outstanding notes automatically convert to shares three years after issue, if not converted before. Conversion is only to shares, and not for cash. The number of shares which will be issued at each conversion is dependent upon the share price at the time.

As the convertible notes are convertible only to shares and not to cash, the cash element of current liabilities reduces to \$971,391. On this cash basis, current assets exceed current liabilities by \$379,033.

As noted in the Review of Operations in the Directors' Report, further capital raisings are intended in the future.

As such, the accounts are prepared on a going concern basis.

**Consolidated**  
**30 June 31 December**  
**2006 2005**  
**\$ \$**

**5. ISSUED CAPITAL**

**Ordinary shares**

Issued and fully paid 97,185,126 95,764,202

**30 June 2006** **30 June 2006**  
**Number** **\$**

**Movement in ordinary shares on issue**

As at 1 January 2006	844,672,724	95,764,202
Issued pursuant to share placement	40,000,000	800,000
Issued pursuant to share purchase plan	40,857,245	715,000
Fundraising costs	-	(94,076)
	925,529,969	97,185,126

**6. SHARE BASED PAYMENT PLANS**

**Employee Incentive Option Plan**

On 30 May 2006, shareholders approved the implementation of an Employee Incentive Option Plan. The Board in its absolute discretion may determine that an eligible executive may participate in the Plan.

Non-executive directors may not be offered employee options under the option plan.

**Options granted**

On 30 May 2006, shareholders approved the issue of 24,000,000 incentive options under the Employee Incentive Option Plan to executive directors of the Company. 8,000,000 options were each granted to Messrs J Palmer, D Wood and R Greenfield. These options will vest in 3 tranches over 4 years.

The options will be granted on the following terms and conditions:

Number	Option Class	Exercise Price	Expiry Date	Vest Date	Vesting Conditions
6,000,000	Class A	4 cents	30 April 2011	After 1 year	Share price greater than 6 cents for 60 consecutive days
6,000,000	Class B	6 cents	30 April 2011	After 2 years	Share price greater than 8 cents for 60 consecutive days
6,000,000	Class C	8 cents	30 April 2011	After 3 years	Share price greater than 10 cents for 60 consecutive days
6,000,000	Class D	10 cents	30 April 2011	After 3 years	Share price greater than 12 cents for 60 consecutive days

Messrs J Palmer, D Wood and R Greenfield will each receive 8,000,000 Class A, Class B, Class C and Class D options.

## 6. SHARE BASED PAYMENT PLANS (continued)

### Options granted (continued)

No consideration is payable by Messrs J Palmer, D Wood and R Greenfield upon the exercise of any options.

The fair value of the equity-settled share options is estimated at the date of grant using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

The following information are the inputs used in the pricing model:

	Class A	Class B	Class C	Class D
Expected volatility	100%	100%	100%	100%
Risk-free interest rate	5.25%	5.25%	5.25%	5.25%
Life of option	5 years	5 years	5 years	5 years
Exercise price	4 cents	6 cents	8 cents	10 cents

## 7. CHANGES IN GROUP COMPOSITION

On 30 June 2005, AFT Corporation Ltd acquired the remaining 50% of Microgenix Technologies Ltd with the effect that Microgenix Technologies Ltd is now 100% owned by AFT Corporation Ltd.

In connection with the acquisition, AFT Corporation Ltd issued 44,030,681 ordinary shares at a fair value of 1.6 cents each based on the market price of AFT Corporation Ltd shares before the announcement of the acquisition (a total value of \$704,491) and 2,000,000 \$1 convertible notes at a fair value of \$1 each (\$2,000,000). In addition, amounts payable in Microgenix Technologies Ltd were forgiven as part of the acquisition agreement to the value of \$1,183,306. Therefore the total consideration, after legal costs of \$34,140, was \$1,555,325. There was no cash component to the consideration.

The consideration for the first 50% of Microgenix Technologies Ltd acquired by AFT was 200,000,000 shares at 2.5 cents per share (\$5,000,000) and AFT was obligated to make a loan of \$3,000,000 to Microgenix Technologies Ltd as part of the acquisition agreement.

On 30 November 2005, Microgenix Global PLC was incorporated in the United Kingdom. This is a wholly-owned subsidiary of the Company.

## 8. CONTINGENT LIABILITIES

A claim in the sum of US\$154,192 plus interest and costs was received in the prior year in relation to goods purchased by a former subsidiary in Chile. However, at this point no evidence has been presented that leads the directors to believe that a provision should be made in the accounts.

A claim in the sum of approximately \$250,000 plus interest and costs has been received in relation to losses allegedly incurred by a shareholder. The claim relates to an earlier period, prior to the time the company came under the control of the present board and management. This claim will be vigorously defended and at this point the directors do not believe that a provision should be made in the accounts.

## 9. SUBSEQUENT EVENTS

On 4 August 2006, the Company announced the appointment of Mr Scott Perkins as a director.

On 16 August 2006, the Company announced the resignation of Mr David McArthur from Company Secretary, subsequent to the appointment of Mr Neil Bourne as Company Secretary on this date.

On 4 September 2006, the Company announced that following a recent resolution reached with Philip Hall and associated parties, a mutual agreement has been reached to co-own a patent. This patent is in a separate but complementary field to AFT's pathogen control technology. This arrangement allows both parties to amicably progress their respective business interests.

It was also mutually agreed to cancel all Convertible Notes valued at \$2,000,000 to allow the Company to progress their future plans for the business.

The Directors are not aware of any other matter or circumstance that has occurred since the end of the financial period that has significantly or may significantly affect the operations of the Company, the results of those operations or the state of the Company in subsequent financial years.

## 10. SEGMENT INFORMATION

Primary reporting – Geographic segments.

### Segment revenues

	External revenue		Other		Total	
	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$
Australia	7,500	-	-	-	7,500	-
Europe	-	106,532	-	-	-	106,532
Total of all segments					7,500	106,532
Eliminations					-	(1,271)
Consolidated					<u>7,500</u>	<u>105,261</u>

### Segment results

	2006	2005
	\$	\$
Australia	(1,473,578)	(650,081)
Europe	(823,485)	(470,846)
(Loss)/profit before income tax expense	<u>(2,297,063)</u>	<u>(1,120,927)</u>
Eliminations	-	-
Income tax expense	-	-
Net (loss)/profit	<u>(2,297,063)</u>	<u>(1,120,927)</u>



**AFT CORPORATION LTD  
AND CONTROLLED ENTITIES  
ABN 33 004 701 062**

**DIRECTORS' DECLARATION**

In the opinion of the directors of AFT Corporation Ltd:

1. the financial statements and notes:
  - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the economic entity's financial position as at 30 June 2006 and its performance for the half-year ended on that date.
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.

Dated this 4<sup>th</sup> day of September 2006

Signed in accordance with a resolution of the Directors.

*Douglas Wood*

**DOUGLAS WOOD**  
**Chairman**

CHARTERED  
ACCOUNTANTS  
& BUSINESS  
ADVISORS

A MEMBER OF  
MOORES ROWLAND  
INTERNATIONAL



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## AFT CORPORATION LIMITED ABN 33 004 701 062 AND CONTROLLED ENTITIES

### INDEPENDENT REVIEW REPORT TO THE MEMBERS OF AFT CORPORATION LIMITED

#### SCOPE

*The financial report and directors' responsibility.*

The financial report comprises the condensed balance sheet, condensed income statement, condensed cash flow statement, condensed statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both AFT Corporation Limited (the company) and the entities it controlled during the half-year, and the directors' declaration for the company, for the half-year ended 30 June 2006.

The directors of the company are responsible for the preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Review Approach*

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Director's Report.

## STATEMENT

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising AFT Corporation Limited and the entities it controlled during the half-year, is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity at 30 June 2006 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

## Inherent Uncertainty Regarding Going Concern Assumption

Without qualification to the opinion above, attention is drawn to the following matter.

We refer to Note 4 to the financial statements relating to the preparation of the financial statements on a going concern basis.

## BENTLEYS MRI PERTH PARTNERSHIP



**MAURICE L ANGHIE**  
PARTNER

Dated at Perth this 4<sup>th</sup> day of September 2006.