

AFT CORPORATION LIMITED - ABN 33 004 701 062
and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2006 TO 31 DECEMBER 2006

Note 22: Key Management Personnel Disclosures (continued)

(c) Related Party Transactions (continued)

(ii) Director-Related Entities

Mycoted Pty Ltd, a company of which Mr A Beckett is a director and over which he has significant influence:

- consultancy services included in remuneration package	-	70,187	44,852	70,187
- administration and support services	-	-	4,928	-

TechSuccess Limited, a company of which Mr P Hall is a director and over which he has significant influence:

- settlement of loan liabilities pursuant to the joint venture agreement	-	570,068	-	-
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(iii) Share Transactions of Directors

Directors and director-related entities hold directorship, indirectly or beneficially as at the reporting date the following equity interest in members of the economic entity:

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	Number	Number	Number	Number
AFT Corporation Limited				
- ordinary shares	3,240,000	133,400,000	3,240,000	133,400,000
- options over ordinary shares	1,000,000	1,000,000	1,000,000	1,000,000

(iv) Transactions with controlled entities

The parent company made a cash loan of \$655,164 to a controlled entity,. At 31 December the loan balance was \$4,513,152

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Note 22: Key Management Personnel Disclosures (continued)

(c) Related Party Transactions (continued)

(v) Identification of Related Parties

- (a) Controlled entity details are set out in Note 24
- (b) Names of directors who held office during the year are set out in the Directors' Report.

Note 23: Details of Controlled Entities

	Country of incorporation	Percentage owned	
		2006 %	2005 %
Parent Entity			
AFT Corporation Limited	Australia		
Subsidiaries			
Microgenix Australasia Pty Limited	Australia	100	100
Microgenix Technologies Limited	United Kingdom	100	100
Microgenix Global Plc	United Kingdom	100	100
OCTIP Pty Ltd	United Kingdom	50	0

Microgenix Global Plc was incorporated on 30 November 2005.

Note 24: Subsequent Events

On 13 February 2007, the Company announced the resignations of Mr Tim Chadwick, Mr Scott Perkins and Mr Alistair Frost as directors. Mr Chadwick and Mr Frost also resigned their executive roles.

On 14 February 2007, the Company announced the appointment of Mr Neil Bourne as a director.

On 1 March 2007, Mr Neil Bourne resigned from the role of company secretary subsequent to the appointment of Mr Maurice Watson.

In January, 2007, three members of the board including the Executive Chairman and Chief Executive Officer made known their interest in creating an alternative funding strategy for the Microgenix business using private equity. In response the company instigated a competitive tendering process for the full or partial sale of the Microgenix business. At this time Mr. Chadwick, Mr. Frost and Mr. Perkins, retired from the board and resigned their executive appointments and Mr. Neil Bourne formerly Company Secretary, was appointed as a board director. The tender was completed by the end of March, 2007. No satisfactory tender has yet been received and the directors will continue to look for a buyer 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2006 TO 31 DECEMBER 2006

Note 25: Segment Information

	Continuing Operations	Discontinuing Operations	Total
	\$	\$	\$
Year ended 31 December 2006			
Revenue			
Sales to external customers	-	38,346	38,346
Other revenue	56,761	2,000,000	2,056,761
Total segment revenue	56,761	2,038,346	2,095,107
Unallocated revenue	-	-	-
Total consolidated revenue	56,761	2,038,346	2,095,107
Results			
Segment results	(1,333,831)	(3,620,740)	(4,954,571)
Unallocated expenses	-	-	-
Net profit/loss before tax and finance costs	(1,333,831)	(3,620,740)	(4,954,571)
Finance costs	-	(5,895)	(5,895)
Net profit/(loss) before tax	(1,333,831)	(3,626,635)	(4,960,466)
Income tax expense	-	-	-
Net profit/(loss) after tax	(1,333,831)	(3,626,635)	(4,960,466)
Assets and Liabilities			
Segment Assets	524,499	5,040,847	5,565,346
Unallocated assets	-	-	-
Total assets	524,499	5,040,847	5,565,346
Segment Liabilities	468,254	305,194	773,448
Unallocated liabilities	-	-	-
Total liabilities	468,254	305,194	773,448
Other Segment Information			
Depreciation and amortisation	4,832	871,808	876,640
Impairment of assets	-	3,401,554	3,401,554
Cash Flow Information			
Net cash flow from operating activities	(1,326,676)	(1,790,502)	(3,117,178)
Net cash flow from investing activities	(15,160)	-	(15,160)
Net cash flow from financial activities	2,386,837	(55,098)	2,331,739

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2006 TO 31 DECEMBER 2006**

Note 25: Segment Information (continued)

	Continuing Operations \$	Discontinuing Operations \$	Total \$
Year ended 31 December 2005			
Revenue			
Sales to external customers	-	118,506	118,506
Other revenue	52,353	(25,686)	26,667
Total segment revenue	<u>52,353</u>	<u>92,820</u>	<u>145,173</u>
Unallocated revenue	-	-	-
Total consolidated revenue	<u><u>52,353</u></u>	<u><u>92,820</u></u>	<u><u>145,173</u></u>
Results			
Segment results	(854,198)	(2,495,981)	(3,350,179)
Unallocated expenses	-	-	-
Net profit/loss before tax and finance costs	<u>(854,198)</u>	<u>(2,495,981)</u>	<u>(3,350,179)</u>
Finance costs	-	-	-
Net profit/(loss) before tax	<u>(854,198)</u>	<u>(2,495,981)</u>	<u>(3,350,179)</u>
Income tax expense	-	-	-
Net profit/(loss) after tax	<u><u>(854,198)</u></u>	<u><u>(2,495,981)</u></u>	<u><u>(3,350,179)</u></u>
Assets and Liabilities			
Segment Assets	1,392,663	8,781,598	10,174,261
Unallocated assets	-	-	-
Total assets	<u>1,392,663</u>	<u>8,781,598</u>	<u>10,174,261</u>
Segment Liabilities	2,445,011	522,156	2,967,167
Unallocated liabilities	-	-	-
Total liabilities	<u>2,445,011</u>	<u>522,156</u>	<u>2,967,167</u>
Other Segment Information			
Depreciation and amortisation	5,004	1,144,516	1,149,520
Impairment of assets	-	-	-
Cash Flow Information			
Net cash flow from operating activities	(1,455,550)	(361,277)	(1,816,827)
Net cash flow from investing activities	-	(12,989)	(12,989)
Net cash flow from financial activities	<u>2,402,039</u>	<u>-</u>	<u>2,402,039</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2006 TO 31 DECEMBER 2006

Note 25: Segment Information (continued)

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists.

Segment assets include all assets used by a segment and consist principally of cash, revenues, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length. These transfers are eliminated on consolidation.

Business and Geographical Segments

Geographical segments

The economic entity's business segments are located in Australia, with the manufacturing and distribution division also having operations in the UK. This is now classified as a discontinuing operation as Microgenix Technologies Ltd and its business is for sale.

Business segments

The economic entity had operated predominantly in one industry segment, being the development and supply of air purification technology. This is now classified as a discontinuing operation as Microgenix Technologies Ltd and its business is for sale.

Note 26: Notes to the Cashflow Statement

(a) Reconciliation of cash or cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet:				
Cash and cash equivalents	524,499	1,371,242	524,499	1,368,033
Cash at bank attributable to discontinued operations (note 6)	49,904	-	-	-
	574,403	1,371,242	524,499	1,368,033

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<p>NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2006 TO 31 DECEMBER 2006</p>
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(b) Reconciliation of net cash provided by operating activities to (loss)/profit after income tax				
Operating profit/(loss) after tax	(4,960,466)	(3,350,179)	(9,103,536)	(1,599,474)
(Profit)/loss on sale of investments	13,738	(150)	13,738	(150)
Depreciation and amortisation expense	4,278,194	1,149,520	4,832	5,004
Doubtful debts	-	64,395	-	4,519
Foreign Exchange (gain)/loss	1,296	-	2,774	-
GST write-off	8,100	-	8,100	-
Share-based payment expense	30,244	6,826	30,244	6,826
Administrators remuneration and reconstruction costs	-	29,022	-	29,022
Exchange difference on non-operating activities	-	211,817	-	3,005
Forgiveness loan	(2,000,000)	-	(2,000,000)	-
(Increase)/decrease in receivables	30,563	181,484	60,911	(74,550)
(Increase)/decrease in inventories	(76,645)	(37,637)	(73,692)	(43,857)
(Increase)/decrease in prepayments	17,249	-	15,717	-
(Increase)/decrease in loans	-	-	8,509,645	-
Increase/(decrease) in creditors	(40,772)	(52,026)	(257,565)	274,663
Increase/(decrease) in accruals	74,426	(19,899)	21,628	(60,558)
Increase/(decrease) in provisions	(493,105)	-	10,689	-
Net cash used in operating activities	<u>(3,117,178)</u>	<u>(1,816,827)</u>	<u>(2,756,515)</u>	<u>(1,455,550)</u>

Note 27: Company Details

The registered office of the Company is:

Level 6, 333 George Street,
Sydney, New South Wales

The principal places of business are:

Level 6, 333 George Street,
Sydney, New South Wales

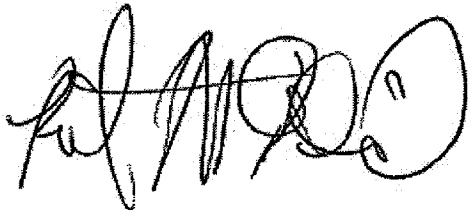
**AFT CORPORATION LIMITED - ABN 33 004 701 062
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DIRECTORS' DECLARATION

The directors of AFT Corporation Limited declare that:

1. the financial statements and notes, as set out on page 21 to page 56 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Company's and the Economic Entity's financial position as at 30 June 2006 and of their performance for the year ended on that date;
2. the Managing Director and Chief Financial Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with Australian Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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.



ROBERT GREENFIELD
Executive Director

Sydney, New South Wales
5 April 2007

AFT CORPORATION LIMITED - ABN 33 004 701 062
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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
AFT CORPORATION LIMITED

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORE BAKER & SMITH
INTERNATIONAL



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**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF AFT CORPORATION LIMITED**

SCOPE

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for AFT Corporation Limited (the company) and the consolidated entity, for the year ended 31 December 2008. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, 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.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

AFT CORPORATION LIMITED - ABN 33 004 701 062
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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
AFT CORPORATION LIMITED

INDEPENDENCE

In conducting our audit, we have met the independence requirements of Australian professional ethical pronouncements and complied with the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of AFT Corporation Limited and its controlled entities is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the company and the consolidated entity as at 31 December 2006 and of their performance for the year ended on that date; and
 - (ii) complying with *Accounting Standards in Australia and the Corporations Regulations 2001*; and
- (b) other mandatory professional reporting requirements in Australia.

INHERENT UNCERTAINTY REGARDING THE GOING CONCERN ASSUMPTION AND THE RECOVERABILITY OF INTANGIBLE ASSET AND INTERCOMPANY LOAN

Without qualification to the opinion expressed above, attention is also drawn to the following matters:

GOING CONCERN

As indicated in Note 1(w) to the financial statements, the financial statements have been prepared on the going concern basis and the ability of the consolidated entity and parent entity to extinguish its debts as and when they fall due is dependent on the consolidated entity and parent entity obtaining adequate funding from shareholders or third parties and ongoing business operations becoming profitable or sold. Should the consolidated entity and parent entity be unable to obtain adequate funding and the operations not become profitable or sold then there is significant uncertainty whether the consolidated entity and parent entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

INTANGIBLE ASSET HELD AND INTERCOMPANY LOAN

We refer to Note 1(v) to the financial statements relating to the critical accounting estimates, assumptions and judgements concerning the future, used to assess the recoverability of the intangible asset of \$4.7 million in the economic entity and the repayment of the intercompany loan of \$4.5 million provided by the parent entity to its subsidiary, Microgenix Technologies Ltd. The estimates and assumptions and the progress in the restructure of the group have a significant risk of being different due to changes in economic or market conditions and/or due to events beyond the control of the management and may cause material adjustment to the carrying amount of these assets in future periods.

BENTLEYS MRI PERTH PARTNERSHIP



P W WARR
PARTNER

Dated this 5th day of April 2007.

**AFT CORPORATION LIMITED - ABN 33 004 701 062
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SHAREHOLDER INFORMATION

The following information is provided in accordance with the Listing Rules of Australian Stock Exchange Limited

1. Statement of issued capital at 29 December 2006

Range	Total Holders	Units	% Issued Capital
1 - 1,000	2,759	1,857,808	0.18
1,001 - 5,000	3,665	9,784,076	0.96
5,001 - 10,000	1,039	8,444,011	0.83
10,001 – 100,000	2,039	85,743,792	8.38
100,000 or more	1,121	916,950,282	89.65
	10,623	1,022,779,969	100.00

2. Top 20 Holders of Ordinary Shares as at 29 December 2006

Rank	Name	Number of Shares	% Issued Capital
1	TechSuccess Limited Wolfelands	177,460,681	17.35
2	JP Morgan Nominees Pty Limited	75,000,000	7.33
3	Mr James Palmer	38,864,301	3.80
4	National Nominees Limited	26,376,794	2.58
5	Pont Street Securities (Guernsey) Limited	19,255,000	1.88
6	Merril Lynch (Australia) Nominees Pty Limited	11,663,900	1.14
7	York Fidelity Limited	10,000,000	0.98
8	ANZ Nominees Limited Cash Income A/C	8,811,420	0.86
9	Geoffrey David McDonald	7,650,000	0.75
10	Mr Elisardo Fontan	7,565,391	0.74
11	Arinya Investments Pty Limited	6,285,715	0.61
12	Dr Spike Jan	5,672,580	0.55
13	Mr Chris Carr & Mrs Betsy Carr	5,000,000	0.49
14	Mr Alistair Stuart Frost	5,000,000	0.49
15	Mr George Inglezakis	5,000,000	0.49
16	Margarita Kazala	5,000,000	0.49
17	Alanita Investments Limited	4,950,000	0.48
18	Citicorp Nominees Pty Limited	4,756,784	0.47
19	Mr Steve Kougioumtzis & Mrs Lisa Lougioumtzis	4,201,391	0.41
20	Mr Mark Sereni	4,149,650	0.41
	Total	432,633,607	42.30

3. Voting Rights

Each Ordinary Share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

**AFT CORPORATION LIMITED - ABN 33 004 701 062
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SHAREHOLDER INFORMATION

4. Substantial Shareholders

The following are substantial shareholders

TechSuccess Limited Wolfelands	177,460,681	shares
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5. Quotation

Shares in AFT Corporation Limited are listed on Australian Stock Exchange Limited.

6. Audit Committee

As at the date of the directors' report the Company did not have a separate audit committee, however meetings are held between senior management and auditors throughout the year to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

