

Clean TeQ Holdings Limited

ABN 34 127 457 916

Half-year Financial Report - 31 December 2012

Clean TeQ Holdings Limited
Contents
31 December 2012

Contents

	Page
Corporate directory	3
Directors' report	4
Auditor's independence declaration	6
Financial report	
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11
Directors' declaration	19
Independent auditor's review report to the members of Clean TeQ Holdings Limited	20

Clean TeQ Holdings Limited
Corporate directory
31 December 2012

Directors	Greg Toll (Executive Chairman and Director) Peter Voigt (Executive Director and Chief Executive Officer) Roger Harley (Independent Non-Executive Director) Bob Cleary (Independent Non-Executive Director)
Company secretary	Melanie Leydin
Registered office	270-280 Hammond Road Dandenong South VIC 3175
Principal place of business	270-280 Hammond Road Dandenong South VIC 3175
Share register	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnson Street Abbotsford, Victoria 3067 Ph: + 61 (03) 9415 5000 Fax: +61 (03) 9473 2500
Auditor	KPMG 147 Collins Street Melbourne, Victoria 3000
Solicitors	Minter Ellison Level 23 South, Rialto Towers 525 Collins Street Melbourne, Victoria 3000
Bankers	BankWest 6th Floor, Bourke Place 600 Bourke Street Melbourne, Victoria 3000
Stock exchange listing	Clean TeQ Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: CLQ)
Website	www.cleanteq.com

Clean TeQ Holdings Limited
Directors' report
31 December 2012

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity', consisting of Clean TeQ Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and its controlled entities, along with the review report thereon, for the half-year ended 31 December 2012.

Directors

The following persons were directors of Clean TeQ Holdings Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Greg Toll (Executive Chairman and Director)
Peter Voigt (Executive Director and Chief Executive Officer)
Roger Harley (Independent Non-Executive Director)
Bob Cleary (Independent Non-Executive Director)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- Providing air purification and odour elimination solutions to customers;
- The continued development and use of the Clean-iX® and proprietary CIF Technologies in conjunction with other technologies, which can be used for the purification and recycling of waste water and for desalination of brackish water to produce high quality industrial water. During the previous year, a licence for the use of the proprietary CIF™ technology was sold to Associated Water Pty Ltd, a JV with Nippon Gas Co., Ltd, for the recovery of clean water in the coal seam gas industry in Australia. The consolidated entity holds a 50% stake in the JV; and
- The continued development and use of the Clean-iX® Technology which can be used to extract a range of resources in the mining industry including base metals, precious metals and radioactive elements.

There have been no other significant changes in the nature of the consolidated entity's activities during the financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,984,000 (31 December 2011: profit of \$107,000).

Financial Review of operations

The consolidated entity's net assets have decreased during the period by \$1.904 million to \$13.843 million (30 June 2012: \$15.747 million. Working Capital, being current assets less current liabilities, amounts to \$0.827 million (30 June 2012: \$1.672 million from continuing operations), with cash reserves reducing to \$0.578 million during the period.

During the six months ended 31 December 2012 the consolidated entity made a loss from continuing operations of \$2.566 million (2011: \$0.001 million). A full review of operations has been included in the CEO report immediately preceding this report.

Significant changes in the state of affairs

During the period the consolidated entity completed the sale of UV Guard Australia Pty Ltd, the details of which are set out in note 7 to the half-year financial report.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Clean TeQ Holdings Limited
Directors' report
31 December 2012

Auditor's independence declaration

The lead auditor's independence declaration is set out on the following page and forms part of the directors' report for the half-year ended 31 December 2012.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Voigt
Director

27 February 2013
Melbourne



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Clean TeQ Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2012 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Tony Batsakis
Partner

Melbourne

27 February 2013

Clean TeQ Holdings Limited
Statement of comprehensive income
For the half-year ended 31 December 2012

	Note	Consolidated Dec 2012 \$'000	Dec 2011 \$'000
Revenue from continuing operations	5	3,880	4,425
Share of losses of joint ventures accounted for using the equity method	6	(204)	-
Expenses			
Raw materials and other direct costs		(4,127)	(2,263)
Administration expenses		(521)	(451)
Marketing expenses		(74)	(54)
Employee benefits expenses		(1,607)	(1,186)
Depreciation and amortisation expenses		(241)	(215)
Other expenses		(283)	(193)
Finance costs		(11)	(92)
Loss before income tax benefit from continuing operations		(3,188)	(29)
Income tax benefit		622	29
Loss after income tax benefit from continuing operations		(2,566)	-
Profit after income tax expense from discontinued operations	7	582	107
Profit/(loss) after income tax benefit for the half-year attributable to the owners of Clean TeQ Holdings Limited		(1,984)	107
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences for foreign operations		1	4
Other comprehensive income for the half-year, net of tax		1	4
Total comprehensive income for the half-year attributable to the owners of Clean TeQ Holdings Limited		(1,983)	111
		Cents	Cents
Earnings per share from continuing operations attributable to the owners of Clean TeQ Holdings Limited			
Basic earnings per share		(1.78)	-
Diluted earnings per share		(1.78)	-
Earnings per share from discontinued operations attributable to the owners of Clean TeQ Holdings Limited			
Basic earnings per share		0.40	0.16
Diluted earnings per share		0.40	0.16
Earnings per share for profit/(loss) attributable to the owners of Clean TeQ Holdings Limited			
Basic earnings per share		(1.38)	0.16
Diluted earnings per share		(1.38)	0.16

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

Clean TeQ Holdings Limited
Statement of financial position
As at 31 December 2012

	Consolidated	
	Dec 2012	Jun 2012
	\$'000	\$'000
Assets		
Current assets		
Cash and cash equivalents	578	1,454
Trade and other receivables	1,490	2,028
Inventories	2,200	1,801
Income tax receivable	787	421
Other financial assets	368	75
	<u>5,423</u>	<u>5,779</u>
Assets of disposal groups classified as held for sale	-	1,790
Total current assets	<u>5,423</u>	<u>7,569</u>
Non-current assets		
Investments accounted for using the equity method	1,841	2,045
Other financial assets	-	117
Plant and equipment	424	442
Intangibles	10,631	10,002
Deferred tax	173	-
Total non-current assets	<u>13,069</u>	<u>12,606</u>
Total assets	<u>18,492</u>	<u>20,175</u>
Liabilities		
Current liabilities		
Trade and other payables	2,383	2,412
Borrowings	1,042	24
Employee benefits	251	282
Other	920	1,389
	<u>4,596</u>	<u>4,107</u>
Liabilities directly associated with assets classified as held for sale	-	172
Total current liabilities	<u>4,596</u>	<u>4,279</u>
Non-current liabilities		
Borrowings	22	49
Deferred tax	-	70
Employee benefits	31	30
Total non-current liabilities	<u>53</u>	<u>149</u>
Total liabilities	<u>4,649</u>	<u>4,428</u>
Net assets	<u>13,843</u>	<u>15,747</u>
Equity		
Issued capital	13,151	13,151
Reserves	270	190
Retained profits	422	2,406
Total equity	<u>13,843</u>	<u>15,747</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Clean TeQ Holdings Limited
Statement of changes in equity
For the half-year ended 31 December 2012

	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2011	10,059	82	1,111	11,252
Profit after income tax benefit for the half-year	-	-	107	107
Other comprehensive income for the half-year, net of tax	-	4	-	4
Total comprehensive income for the half-year	-	4	107	111
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	22	-	-	22
Issue of ordinary shares related to business combination	94	-	-	94
Issue of shares as a result of the rights issue	962	-	-	962
Balance at 31 December 2011	11,137	86	1,218	12,441
	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2012	13,151	190	2,406	15,747
Loss after income tax benefit for the half-year	-	-	(1,984)	(1,984)
Other comprehensive income for the half-year, net of tax	-	1	-	1
Total comprehensive income for the half-year	-	1	(1,984)	(1,983)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	79	-	79
Balance at 31 December 2012	13,151	270	422	13,843

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

Clean TeQ Holdings Limited
Statement of cash flows
For the half-year ended 31 December 2012

	Consolidated	
	Dec 2012	Dec 2011
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	4,182	4,875
Payments to suppliers (inclusive of GST)	(6,404)	(5,048)
Interest received	22	31
Interest and other finance costs paid	(7)	(93)
	<u> </u>	<u> </u>
Net cash used in operating activities	(2,207)	(235)
Cash flows from investing activities		
Payments for property, plant and equipment	(38)	(125)
Development expenditure	(814)	(247)
Payment for other non-current assets	-	(7)
Proceeds from sale of business	1,373	-
	<u> </u>	<u> </u>
Net cash from/(used in) investing activities	521	(379)
Cash flows from financing activities		
Proceeds from borrowings	1,000	-
Payments for cash on deposit for security over bank guarantees	(177)	(234)
Proceeds from issue of shares	-	942
Proceeds from issue of convertible notes	-	469
Repayment of convertible notes	-	(1,167)
Repayment of finance lease	(13)	(15)
	<u> </u>	<u> </u>
Net cash from/(used in) financing activities	810	(5)
Net decrease in cash and cash equivalents	(876)	(619)
Cash and cash equivalents at the beginning of the financial half-year	1,454	1,347
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial half-year	<u>578</u>	<u>728</u>

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

Clean TeQ Holdings Limited
Notes to the financial statements
31 December 2012

Note 1. General information

The financial report covers Clean TeQ Holdings Limited as a consolidated entity consisting of Clean TeQ Holdings Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Clean TeQ Holdings Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Clean TeQ Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

270-280 Hammond Road
Dandenong South
VIC 3175

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 27 February 2013. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2012 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 principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

Clean TeQ Holdings Limited
Notes to the financial statements
31 December 2012

Note 2. Significant accounting policies (continued)

Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity reported a net loss after tax for the half year of \$1,984,000 (2011: \$107,000 profit). The net loss is directly attributable to a combination of operational factors, which led to adverse results on a number of larger projects leading to poor margin results and losses. These factors included unforeseen delays and consequential cost overruns and adverse weather conditions, which increased costs on other projects. The reduced project margins were not sufficient to completely cover the consolidated entity's fixed cost base, resulting in the net loss after tax for the period. The Board is confident that these adverse operational factors were isolated, as they relate to specific projects that are close to being, or have already been, completed and will not recur in the second half of the 2013 financial year or beyond, and that the consolidated entity will achieve positive project margins in the remainder of the financial year.

The working capital position as at 31 December 2012 of the consolidated entity results in an excess of Current Assets over Current Liabilities of \$827,000 (2011: \$3,290,000). The cash balance as at 31 December 2012 was \$578,000 (30 June 2012: \$1,454,000).

During the half year and subsequent to 31 December 2012 the following events have taken place to support the going concern basis of accounting for the consolidated entity:

- The company has entered into a agreement with Clean World Japan, an entity controlled by Nippon Gas Co Ltd for the licensing of a range of technologies. Under this agreement a once off license fee payment of \$3.5m is payable upon the execution of the first technology agreement between Clean World Japan and a Japanese entity. This agreement is expected to be signed by the end of March 2013;
- During the last 6 months the consolidated entity has been awarded contracts and agreed projects with revenue in excess of \$6.16 million expected to be delivered in the 2013 financial year and has further trading and tender opportunities which are expected to lead to significant future sales;
- Discussions are occurring with global based engineering groups as potential partners for commercialisation of technologies, especially in the Water and Air areas. Specific ventures are envisaged with the next half year, as licensing or joint venture arrangements within subsequent payments to the consolidated entity.

Whilst the directors are confident in the consolidated entity's ability to continue as a going concern, in the event the agreements and commercial opportunities described above do not eventuate as planned, there is uncertainty as to whether the consolidated entity will be able to generate sufficient net operating cash inflows or execute alternative funding arrangements to enable it to continue as a going concern.

Consequently, material uncertainty exists as to whether the consolidated entity will continue as a going concern and it may therefore be required to realise assets, extinguish liabilities at amounts different to those recorded in the balance sheet and settle liabilities other than in the ordinary course of business.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

In preparing the consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2012.

Note 4. Operating segments

Identification of reportable operating segments

Segment information is presented in the consolidated financial report in respect of the consolidated entity's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that expected to be used for more than one period.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Air Purification	This has been the core business of the Company since 1990. Clean TeQ provides a full suite of air purification and odour elimination solutions to municipal and statutory authorities and industrial companies.
Water Purification	Clean TeQ's suite of water technologies filter, separate and purify polluted waters for drinking, agriculture, recreation or industrial use. Clean TeQ is developing technologies for use in the purification and recycling of waste water and the desalination of brackish water. The UV Guard business, which was sold in July 2012, has been disclosed as a discontinued operation in the current financial year.
Resource Recovery	The Clean-iX® Technology is at the core of this Division and aims to provide cost effective extraction techniques for a range of resources, including base metals, precious metals and radioactive elements (such as uranium).

Geographical segments

Geographically, the consolidated entity operates predominately in Australia.

Clean TeQ Holdings Limited
Notes to the financial statements
31 December 2012

Note 4. Operating segments (continued)

Operating segment information

	Air Purification	Resource Recovery	Water Purification	Intersegment eliminations/ unallocated	Total
Consolidated - Dec 2012	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
Sales to external customers	2,892	-	581	384	3,857
Total sales revenue	2,892	-	581	384	3,857
Other revenue	-	-	-	1	1
Interest	-	-	-	22	22
Total revenue	2,892	-	581	407	3,880
Reportable segment					
(loss)/profit before tax	(873)	-	167	(2,482)	(3,188)
Profit on disposal of discontinued operation					582
Loss before income tax					(2,606)
benefit					622
Income tax benefit					622
Loss after income tax					(1,984)
benefit					
Assets					
Segment assets	2,197	4,944	8,189	3,162	18,492
Total assets					18,492
Consolidated - Dec 2011					
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
Sales to external customers	2,244	-	3,348	66	5,658
Total sales revenue	2,244	-	3,348	66	5,658
Total revenue	2,244	-	3,348	66	5,658
Reportable segment					
(loss)/profit before tax	1,063	-	1,613	(2,705)	(29)
Profit from discontinued operations					169
Profit before income tax					140
expense					(33)
Income tax expense					(33)
Profit after income tax					107
expense					
Consolidated - Jun 2012					
Assets					
Segment assets	2,934	4,757	9,531	2,953	20,175
Total assets					20,175

Clean TeQ Holdings Limited
Notes to the financial statements
31 December 2012

Note 4. Operating segments (continued)

The magnitude of the unallocated portion of the segment results is a result of the consolidated entity incurring a significant amount of expenses that cannot be directly attributable on a reasonable basis to any one segment.

There have been no material changes in segment assets during the current period and since the year ended 30 June 2012.

Note 5. Revenue

	Consolidated	
	Dec 2012	Dec 2011
	\$'000	\$'000
From continuing operations		
<i>Sales revenue</i>		
Contract revenue	<u>3,857</u>	<u>4,394</u>
<i>Other revenue</i>		
Interest	22	31
Other revenue	<u>1</u>	<u>-</u>
	<u>23</u>	<u>31</u>
Revenue from continuing operations	<u><u>3,880</u></u>	<u><u>4,425</u></u>

Note 6. Share of losses of joint ventures accounted for using the equity method

	Consolidated	
	Dec 2012	Dec 2011
	\$'000	\$'000
Share of profit/(loss) - joint ventures	<u>(204)</u>	<u>-</u>

Refer to note 12 for details of the company's interests in joint ventures.

Clean TeQ Holdings Limited
Notes to the financial statements
31 December 2012

Note 7. Discontinued operations

Financial performance information

	Consolidated	
	Dec 2012	Dec 2011
	\$'000	\$'000
Sales of goods and services	-	1,233
Total revenue	<u>-</u>	<u>1,233</u>
Raw materials and consumables used	-	(492)
Administration expenses	-	(98)
Marketing expenses	-	(1)
Employee benefits expenses	-	(417)
Depreciation and amortisation expenses	-	(4)
Other expenses	-	(52)
Total expenses	<u>-</u>	<u>(1,064)</u>
Profit before income tax expense	-	169
Income tax expense	<u>-</u>	<u>(62)</u>
Profit after income tax expense	<u>-</u>	<u>107</u>
Gain on disposal before income tax	582	-
Income tax expense	<u>-</u>	<u>-</u>
Gain on disposal after income tax expense	<u>582</u>	<u>-</u>
Profit after income tax expense from discontinued operations	<u>582</u>	<u>107</u>

Cash flow information

	Consolidated	
	Dec 2012	Dec 2011
	\$'000	\$'000
Net cash from operating activities	-	1
Net cash from/(used in) investing activities	1,373	(6)
Net cash used in financing activities	<u>-</u>	<u>(5)</u>
Net increase/(decrease) in cash and cash equivalents from discontinued operations	<u>1,373</u>	<u>(10)</u>

Details of the disposal

On 28 June 2012, the company executed a contract to sell 100% of its shares in UV Guard Australia Pty Ltd. The contract was completed on 19 July 2012, with the sale effective from 1 July 2012. The company received \$1,350,000 plus inventory on hand as consideration for the sale. The sale consideration exceeds the net assets of UV Guard Australia Pty Ltd at 30 June 2012 and as a result there has been no impairment recognised.

The decision was also been made to close the operations of UV Guard New Zealand Limited. At 30 June 2012, the only asset that the company held was cash, and for this reason no impairment has been recognised.

Both UV Guard Australia Pty Ltd and UV Guard New Zealand Limited form part of the Water Purification business segment in Note 4 - Operating Segments.

Clean TeQ Holdings Limited
Notes to the financial statements
31 December 2012

Note 8. Current assets - available-for-sale financial assets

During the period the consolidated entity acquired a 15% interest in Clean World Japan Co., Ltd ("CWJ") for a nominal amount. The consolidated entity's investment in CWJ does not result in control or significant influence of CWJ. Accordingly the investment has been recognised at cost at 31 December 2012.

Note 9. Equity - dividends

There were no dividends paid, recommended or declared during or since the current or previous financial half-year.

Note 10. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2012 or 30 June 2012.

Note 11. Commitments

There is no material change to the commitments since those disclosed in the financial report for the year ended 30 June 2012.

Note 12. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in the 30 June 2012 financial report:

Name of entity	Country of incorporation	Equity holding	
		Dec 2012 %	Jun 2012 %
Clean TeQ Limited	Australia	100.00	100.00
Resix Pty Ltd	Australia	100.00	100.00
CT Global Holdings Pty Ltd	Australia	100.00	100.00
LiXiR Functional Foods Pty	Australia	100.00	100.00
Clean TeQ Water Pty Ltd	Australia	100.00	100.00
Clean TeQ Resin Production Pty Ltd	Australia	90.00	90.00
UV Guard Australia Pty Ltd*	Australia	-	100.00
Clean TeQ Asian Pacific Limited	Hong Kong	100.00	100.00
UV-Guard New Zealand Limited*	New Zealand	-	100.00

* See note 7 for details of disposal.

Note 13. Interests in joint ventures

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures is set out below:

Joint venture	Principal activities	Consolidated Percentage interest	
		Dec 2012 %	Jun 2012 %
Associated Water Pty Ltd	Water purification	50.00	50.00

During the period the consolidated entity received a loan from Associated Water Pty Ltd in the amount of \$1,000,000. At 31 December 2012 the balance of the loan, including accrued interest, was \$1,004,478. The loan is to be repaid in May 2013, and is interest bearing (9.08%). The loan has been agreed on commercial terms.

Note 14. Events after the reporting period

No matter or circumstance has arisen since 31 December 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Clean TeQ Holdings Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Peter Voigt
Director

27 February 2013
Melbourne



Independent auditor's review report to the members of Clean TeQ Holdings Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Clean TeQ Holdings Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2012, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the half-year period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Clean TeQ Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Clean TeQ Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half-year period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion we draw attention to Note 2 under the heading "Going Concern" which indicates that the Group incurred a net loss after tax of \$1,984,000 during the half-year ended 31 December 2012 and, as of that date, the Group's cash and cash equivalents are \$578,000. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast doubt about the Group's ability 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.

KPMG

KPMG

Tony Batsakis
Partner

Melbourne

27 February 2013