



(ABN 36 107 014 675)

Financial Report

For the 18 month period ended 30 June 2009

INTERNATIONAL INNOVATIONS LTD

DIRECTORS' REPORT

Your directors' present this report on the company for the 18 month period ended 30 June 2009.

Directors

The names of each person who has been a director during the year and up to the date of this report are:

STEPHEN MICHAEL HARGREAVES – Executive Chairman and CEO

Appointed as a director since incorporation of the company on 12 November 2003 and appointed as secretary on 28 February 2004.

IAN KIERNAN – Non-Executive Director

Appointed as a director on 21 May 2007. Resigned 3 February 2009.

DR MATTHEW BOLTON – Non-Executive Director

Appointed as a director on 7 June 2007.

ROBERT HUSHER – Non-Executive Director

Appointed as a director on 7 June 2007. Resigned 25 January 2010.

DR STEPHEN PILDITCH – Non-Executive Director

Appointed as a director on 7 June 2007.

BERND SCHLAGREGEN – Executive Director

Appointed as a director on 26 August 2008. Resigned 19 January 2009.

DR NICHOLAS WARD – Non-Executive Director

Appointed as director 14 February 2008. Resigned 22 May 2008.

DAVID DIAMOND – Non-Executive Director

Appointed as director 3 June 2010

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DIRECTORS' REPORT

Directors' Meetings

During the period the directors communicated by email, telephone and skype. No collective directors' meetings were held as three directors reside in Europe. The Chairman / CEO Mr Hargreaves met face to face with each director over the year on business matters to progress the company as needed.

Director	Meetings held while a director	Meetings attended
Stephen Michael Hargreaves	1	1
Ian Kiernan AO	1	1
Dr Matthew Bolton	1	1
Robert Husher	1	1
Dr Stephen Pilditch	1	1
Bernd Schlagregen	1	1
Dr Nicholas Ward	-	-

Operating Result

The loss of the group for the 18 months after providing for income tax amounted to \$4,483,484 (12 months to 31 December 2007: net loss of \$834,816).

Principal Activities

Converting WASTE HEAT ENERGY into CLEAN ELECTRICAL ENERGY is our main principal activity. Waste Heat Energy is bigger than ALL renewable energies combined, see USA data click here: www.internationalinnovations.com.au/documents/consumption_chart_090728b.jpg (or if receiving this in hard copy refer to IIL website and see the link on MOREAMPS home page titled "Renewable Energy").

IIL is 100% owner of six products / patents granted and pending applications across various countries are AMPS, EUROAMPS, OTELLO, MOREAMPS heat engines & QISS Clutch and 63% owner of www.selectdesign.com.au (SDTL) SMARTMATIC transmission. Full list of patents details can be seen on IIL website at http://www.internationalinnovations.com.au/documents/IIL_SDTL_patents_list.pdf

✓ **On the 2nd June 2010 our patent attorney informed us that our MOREAMPS patent is allowed for granting in all countries in Europe and will be granted with payment of fees before 1st October 2010. This is perfect timing & very good news!** MOREAMPS is constructed from "off the shelf parts" from international suppliers .i.e. www.hydac.com and www.honeywell.com .

✓ QISS Electric Launch Clutch we are told by www.ghm-engineering.at is the world's first electric launch clutch for controlling "flat or cone" clutch plates. Patents granted in China, Germany, France, Italy and pending in other countries around the world.

✓ Patents: You can see our complete list of patents on the IIL website under "Patents & Products" or click on this website link: http://www.internationalinnovations.com.au/images/IIL_SDTL_patents_list_12_Nov_2009_v3.pdf

✓ Our focus is to build demonstrators in Europe for commercialisation of MOREAMPS & QISS.

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DIRECTORS' REPORT

Review of Operations

The directors are of the opinion that the best place to build demonstrators, optimise and commercialise in Europe and we have receive proposals to build MOREAMPS at Imperial College London (ICL) headed by Dr Markides. A proposal to manufacture and distribute QISS has been received from Franz Jegel at / owner of www.ghm-engineering.at (GHM-E).

Because of the high costs of electricity in European countries and the attractive tariffs paid for renewable energy in Europe we have interest from Dr Markides to further assist scaling up MOREAMPS. And supporting customers including Franz Jegel / GHM-E interest to manufacture MOREAMPS and supply European customers. The BIOGAS market is our first target and we have received interest from the German biogas company www.mwk-biogas.com .

The technical feasibility of MOREAMPS & OTELLO has now been confirmed by Australian University & Dr Markides / ICL. Plan is to build demonstrator with www.hydac.com and www.honeywell.com parts and technical support. Director Stephen M. Hargreaves is moving his family to live in Europe and progress the commercialisation process in European countries since we have received a lot of interest, and be closer to Dr Markides, Hydac and Honeywell. And conduct road shows and information / presentations to the Market Makers and Frankfurt stock exchange.

The reason for this 18 month audited financial accounts is due to the fact that from the incorporation of IIL on 12 November 2003 accounts were prepared and audited to 31 December. In November 2008 it was brought to our attention that a Substituted Accounting Period (SAP) requires an application to the Australian Taxation Office (ATO) and their approval. IIL then advised the Australian Securities Investment Commission (ASIC) and made application to the ATO which was declined because our principal place of business is in Australia and for this reason any overseas company if IIL established would be more likely to be successful applying for a SAP in that country. The ATO / Commissioner considered our reasons and concluded that under the circumstances ALL past returns for 31 Dec 2004, 2005, 2006 and 2007 are accepted and the directors of IIL wished to bring accounts in line with 30 June to combine the accounting and tax year ends.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the company during the period were as follows:

Fully paid ordinary share capital increased during the year as follows:

	\$
- Issued 208,387,929 shares to raise working capital – (Note 12)	1,927,283
- Transfer from shares to be issued equity account	3,500
- Issued 258,541,252 shares to acquire Select Design Technologies Limited	2,585,413
- Issued 6,700,000 shares for settlement of share issue costs	67,000
- Share issue costs	(124,790)
	<hr/>
	4,458,406
	=====

After Balance Date Events

Subsequent to the end of the period, \$82,500 has been raised through the issue of 8,250,000 shares at 1 cent per share, with associated share issue costs of \$11,386. In addition a further 1,414,564 shares have been issued under the 1 for 1 scrip offer for the acquisition of SDTL by IIL.

In addition:

* On 18th March 2010 received proposal to build optimised demonstrator of MOREAMPS from Dr Markides / Imperial College London (ICL);

* On 21st April 2010 received, from Dr Markides / Imperial College London (ICL), foot print calculations for MOREAMPS 1 Mega Watt thermal hydraulic generator;

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DIRECTORS' REPORT

After Balance Date Events (Continued)

- * On 27th May 2010 received final report from Newcastle University on MOREAMPS 1MW/e calculations;
- * On 2nd June 2010 MOREAMPS patent was reported as allowed for every country in Europe and to validate for each country payment must be made before 1st October 2010 for granting process;
- * On 3rd June 2010 David Diamond was appointed non-executive director; and
- * On 11th June 2010 received proposal to list IIL on the General Standard / Frankfurt Stock Exchange, costs €200,000 (AUD\$320,000).

Future Developments

The likely developments in the operations of the company and the expected results of those operations in future financial years are:

- MOREAMPS European patent allowed 2nd June 2010, now requires payment by 1st October 2010 to validate for granting. Application valid for Austria, Belgium, Bulgaria, Switzerland, Cypress, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, United Kingdom, Greece, Hungary, Ireland, Island, Italy, Liechtenstein, Lithuania, Luxemburg, Latvia, Monaco, Netherlands, Poland, Portugal, Rumania, Sweden, Slovenia, Slovakia and Turkey
- Listing on Australian & Frankfurt Stock Exchanges,
- Building of optimised MOREAMPS demonstrator by Dr Christos Markides at Imperial College London (ICL) using components and technical support from www.hydac.com and www.honeywell.com , Target is to connect MOREAMPS to the waste heat energy from Biogas Plants Engine Exhaust and other heat sources including SOLAR.
- Building of QISS Electric Clutch at www.ghm-engineering.at
- MARKETING of licenses in all countries around the world for construction, sales and servicing MOREAMPS using components from www.hydac.com and www.honeywell.com

Dividends

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

Options

No options over issued shares or interests in the company were granted during or since the end of the period and there were no options outstanding at the date of this report.

Directors' Interests in Shares of the Company or Related Bodies Corporate

The particulars of shares held by the directors of the company in the company or in related bodies corporate which are required to be declared in the register of directors' shareholdings are as follows:

INTERNATIONAL INNOVATIONS LTD

DIRECTORS' REPORT

STEPHEN MICHAEL HARGREAVES

Executive Chairman / CEO



Stephen is the founder and experience includes the successful establishment of several companies, capital raising, and the management of public companies for the commercialisation of inventions. In 1996 he was using the services of the world's largest automotive research development laboratory known as AVL List GmbH in Graz, Austria for the research and development of automotive products. At AVL, Steve was introduced to Mr Bernd Pfeifer, the then Deputy Vice President of Engineering, Sales and Marketing of AVL. Mr Pfeifer was later to become a joint founding director of International Innovations Limited.

Stemming from this relationship built over the years at AVL with Mr Pfeifer, Steve conceived the idea of creating a public company for global commercialisation and marketing of innovations, to provide benefits to investors from the automotive and other related industries. Steve invited Mr Bernd Pfeifer to join this venture and with an expert team selected by Mr Pfeifer from his contacts in industry, amassed over a period of 30 years, IIL was established and included AVL's patent attorney and other expertise which has progress IIL to is now a reality. Stephen is also founder and CEO of www.selectdesign.com.au.

Steve is responsible for the day to day business activities of IIL.

Interest in Shares – 310,980,154

DAVID FRANCIS DIAMOND

Non-Executive Director



Bachelor of Business Studies, Trinity College Dublin, Ireland 1971
Chartered Accountant (Australia 1975)

Mr. Diamond has a background in accountancy and financial management, having spent 30 years in professional practices in Australia and Europe.

His emphasis is on management of businesses undergoing growth and structural change. In these roles he has represented banking institutions and investors in achieving the optimal outcomes for these companies involved. These activities have been initially involved in the private arena, but over the last 10 years his emphasis has been in public companies, including companies listed on the Australian Stock Exchange. He has acted in these roles as advisor, director and chairman depending on the various requirements. His emphasis is in financial and board management, and specifically in determination of strategic direction and implementation of change.

Mr. Diamond was Chairman of Select Design Technologies Limited (SDTL) between 2000 until 24 June 2005, and taken up the position again in 2006 and wishes now to take the Company through to it's next phase in the immediate future. In 2009 IIL became 63% shareholder of SDTL.

Interest in Shares – 32,000,000

INTERNATIONAL INNOVATIONS LTD

DIRECTORS' REPORT

DR MATTHEW BOLTON

Non-Executive Engineering and Scientific Technical Director



Ph.D. Applied Mathematics, UEA, 2009 Dissertation: "Acoustic Scattering in Colloids"
M.Sc. Applied Mathematics, University of British Columbia, 2002 Thesis "A Model of the Heat Transfer and Gas Flow Associated with the Annealing Process of Silicon Wafers"
MMath Applied Mathematics (Graduated with First Class Honours), UEA, 1998 Thesis: "The Fluid Dynamics of Stone Skipping"

A Levels in Mathematics (A), Physics (A), Computer Science (A), Sir Thomas Rich's School, 1994

Mathew is jointly responsible for the establishment of our UK based laboratory for the optimisation of our waste heat engine family (AMPS, EUROAMPS & MOREAMPS). Working with our development partners, they aim to make super-efficient combustion engines a reality. Currently the technology is primarily targeted at large engines such as generators, but it is hoped that the devices can be scaled down for use in the automotive industry.

Matthew has gained valuable experience in mathematical modelling such as fluid modelling and heat transfer. He has experience using commercial fluid solvers such as FLUENT and COMSOL and has also built up a library of his own C++ codes. He obtained excellent training during his time at British Aerospace where he worked as a C++ Programmer on defence contracts.

Matthew has developed good contacts with the academic world and is looking into the possibility of collaboration with a university to further understand the thermodynamics, and improve the designs of the waste heat engine family.

Interest in Shares – Nil

DR STEPHEN PILDITCH

Non-Executive Engineering and Scientific Technical Director



Ph.D. Chemical Engineering, Newcastle University, 2010 Dissertation: "Computational Mathematical Modelling of a High Temperature Fuel Cell" MMath Applied Mathematics, UEA, 1998 Thesis: "Supersonic Flow and Shocks" Mathematics Exchange Program, University of British Columbia, Canada 1997

Stephen has gained valuable experience of the business world as well as being an accomplished academic. In the course of writing his Ph.D. thesis, he has contributed three research publications in the field of fuel cell modelling. Fuel cells are an exciting source of alternative energy and are expected to become more prevalent due to their efficient energy conversion, and their lack of environmentally damaging emissions. Sources of clean energy are of great interest to Stephen, and because of his academic background and creative thinking he is a strong asset to the team developing the waste heat engine family (AMPS, EUROAMPS & MOREAMPS).

Currently, Stephen also works for Carbon Planet Pty Ltd (www.carbonplanet.com) as an emissions auditor. Carbon Planet is an Australian company that offers tailored carbon emissions audits, emissions reduction strategies and carbon credits brokerage services. With the advent of recent government reforms and carbon emissions legislation, more and more companies are having to review their carbon footprints and in doing this, perhaps some may realise the potential of our waste heat devices.

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Stephen has also worked for four years in risk management and auditing at Deloitte and Ernst & Young. This involved consulting for the major oil companies, the banking sector, and the British government and gave him valuable insight into the corporate governance of large companies and organisations. A risk and control methodology approach was employed in order to analyse corporate systems. Risk analysis is of growing importance to the well being of society and IIL waste heat devices can help to mitigate some of the risks faced by the energy generation sector today.

Interest in Shares – Nil

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.

Indemnifying Officer or Auditor

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the period, to any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of 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 period.

Auditor's Independence Declaration

The lead auditor's independence declaration, as required under section 307C of the Corporations Act 2001, forms part of the Directors' Report for the period ended 30 June 2009.

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



STEPHEN MICHAEL HARGREAVES
Executive Director and Chairman

Dated 16 June 2010



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of International Innovations Limited for the eighteen (18) month period ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'R A Dean'.

R A Dean
Partner
PKF

16 June 2010
Melbourne

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INTERNATIONAL INNOVATIONS LTD

DIRECTORS' DECLARATION

The directors of the company declare that:

- (a) In the director's opinion the financial statements and notes are in accordance with the Corporations Act 2001 including:
 - (i) Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the eighteen month period ended on that date; and
 - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International financial reporting Standards as disclosed in Note 2; and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable for the reasons stated in Note 2, Summary of Significant Accounting Policies.

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



STEPHEN MICHAEL HARGREAVES

Executive Director and Chairman

Dated 16 June 2010



INTERNATIONAL INNOVATIONS LTD
CONSOLIDATED INCOME STATEMENT
FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

Note	Consolidated Group 30 June 2009 \$	Consolidated Group 31 Dec 2007 \$	Parent entity 30 June 2009 \$	Parent entity 31 Dec 2007 \$
Revenue	-	-	-	-
Expenses				
Administration expenses	517,368	117,792	511,106	117,792
Depreciation expense	8,936	5,740	8,936	5,740
Interest expense	150,437	70,478	150,430	70,478
Directors' remuneration	15 560,217	327,000	560,217	327,000
Legal expenses/(reversal)	-	(4,100)	-	(4,100)
Marketing and promotion expenses	-	6,683	-	6,683
Travel, accommodation and conference expenses	290,183	131,169	290,183	131,169
Occupancy expenses	52,831	32,439	52,831	32,439
Patent expenses	219,980	193,301	219,980	193,301
Reversal of doubtful debts	-	(45,686)	-	(45,686)
Impairment of investment	-	-	2,585,413	-
Impairment of goodwill	2,797,908	-	-	-
Long service leave expense	26,635	-	26,635	-
(Loss) before income tax	(4,624,495)	(834,816)	(4,405,731)	(834,816)
Income tax (expense) / refund	3(c) 141,011	-	141,011	-
(Loss) for the year	(4,483,484)	(834,816)	(4,264,720)	(834,816)
Loss after income tax from continuing operations attributable to minority interests in controlled entities	17 -	-	-	-
(Loss) for the year attributable to members of the parent entity	(4,483,484)	(834,816)	(4,264,720)	(834,816)
	(4,483,484)	(834,816)	(4,264,720)	(834,816)

The above Income Statement is to be read in conjunction with the attached notes.

INTERNATIONAL INNOVATIONS LTD

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009

	Note	Consolidated Group 30 June 2009 \$	Consolidated Group 31 Dec 2007 \$	Parent entity 30 June 2009 \$	Parent entity 31 Dec 2007 \$
ASSETS					
Current Assets					
Cash and cash equivalents	4	100	52,115	-	52,115
Trade and other receivables	5	412,985	10,409	487,220	10,409
Total Current Assets		413,085	62,524	487,220	62,524
Non Current Assets					
Plant and equipment	6	10,409	10,091	10,409	10,091
Other financial assets	7	-	-	-	-
Intangibles	8	-	-	-	-
Total Non Current Assets		10,409	10,091	10,409	10,091
TOTAL ASSETS		423,494	72,615	497,629	72,615
LIABILITIES					
Current Liabilities					
Financial liability	9	766	-	435	-
Trade and other payables	10	1,488,694	1,136,638	1,344,396	1,136,638
Total Current Liabilities		1,489,460	1,136,638	1,344,831	1,136,638
Non Current Liabilities					
Provisions	11	26,635	-	26,635	-
Total Non Current Liabilities		26,635	-	26,635	-
TOTAL LIABILITIES		1,516,095	1,136,638	1,371,466	1,136,638
NET (LIABILITIES)		(1,092,601)	(1,064,023)	(873,837)	(1,064,023)
EQUITY					
Share capital	12	13,292,914	8,834,508	13,292,914	8,834,508
Shares to be issued	12	15,000	18,500	15,000	18,500
Accumulated losses		(14,400,515)	(9,917,031)	(14,181,751)	(9,917,031)
Minority interest		-	-	-	-
TOTAL (DEFICIENCY) IN EQUITY		(1,092,601)	(1,064,023)	(873,837)	(1,064,023)

The above Balance Sheet is to be read in conjunction with the attached notes.

INTERNATIONAL INNOVATIONS LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

Consolidated Group	Issued Capital \$	Shares to be issued \$	Accumulated Losses \$	Minority Interest \$	Total Equity \$
Balance – 1 January 2007	8,200,008	100,000	(9,082,215)	-	(782,207)
Issue of share capital	652,400	(100,000)	-	-	552,400
Shares to be issued	-	18,500	-	-	18,500
Share issue costs	(17,900)	-	-	-	(17,900)
Loss for the period	-	-	(834,816)	-	(834,816)
Balance – 31 December 2007	8,834,508	18,500	(9,917,031)	-	(1,064,023)
Issue of share capital	4,583,196	(3,500)	-	-	4,579,696
Share issue costs	(124,790)	-	-	-	(124,790)
Loss attributable to members	-	-	(4,483,484)	-	(4,483,484)
Balance – 30 June 2009	13,292,914	15,000	(14,400,515)	-	(1,092,601)
Parent Entity				-	
Balance – 1 January 2007	8,200,008	100,000	(9,082,215)	-	(782,207)
Issue of share capital	652,400	(100,000)	-	-	552,400
Shares to be issued	-	18,500	-	-	18,500
Share issue costs	(17,900)	-	-	-	(17,900)
Loss for the period	-	-	(834,816)	-	(834,816)
Balance – 31 December 2007	8,834,508	18,500	(9,917,031)	-	(1,064,023)
Issue of share capital	4,583,196	(3,500)	-	-	4,579,696
Share issue costs	(124,790)	-	-	-	(124,790)
Loss attributable to members	-	-	(4,264,720)	-	(4,264,720)
Balance – 30 June 2009	13,292,914	15,000	(14,181,751)	-	(873,837)

The above Statement of Changes in Equity is to be read in conjunction with the attached notes.

INTERNATIONAL INNOVATIONS LTD

CASH FLOW STATEMENT FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

Note	Consolidated Group 30 June 2009 \$	Consolidated Group 31 Dec 2007 \$	Parent entity 30 June 2009 \$	Parent entity 31 Dec 2007 \$
Cash flows from operating activities				
	(1,416,957)	(514,321)	(1,417,147)	(514,321)
	(3,225)	-	(3,218)	-
Net Cash (used in) operating activities	13(a) (1,420,182)	(514,321)	(1,420,365)	(514,321)
Cash flows from investing activities				
	(414)	-	-	-
	(9,254)	-	(9,254)	-
Net cash provided by/(used in) investing activities	(9,668)	-	(9,254)	-
Cash flows from financing activities				
	1,869,493	570,900	1,869,493	570,900
	-	(17,900)	-	(17,900)
	(572,424)	(322,147)	(572,424)	(322,147)
	80,000	246,001	80,000	246,001
	-	(30,800)	-	(30,800)
	-	117,200	-	117,200
Net cash provided by (used in) financing activities	1,377,069	563,254	1,377,069	563,254
Net increase/(decrease) in cash held	(52,781)	48,933	(52,550)	48,933
Cash and cash equivalents at 31 December 2007	52,115	3,182	52,115	3,182
Cash and cash equivalents at 30 June 2009	13(b) (666)	52,115	(435)	52,115

The above Cash Flow Statement is to be read in conjunction with the attached notes.

INTERNATIONAL INNOVATIONS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

NOTE 1 - INTRODUCTION

International Innovations Limited is incorporated in Australia.

Operations and principal activities

The operations and principal activities of the company comprise the development and design of patent applications relating to Thermal Hydraulic Generators (THG) MOREAMPS & OTELLO for converting waste heat energy into mechanical work generating electricity. Also automotive transmission systems QISS Clutch.

Currency: The financial report is presented in Australian dollars.

Registered Office: PKF Level 14, 140 William Street, Melbourne, Victoria, 3000

Principal Place of Business: Level 29, 2 Chifley Square, Sydney NSW 2000

Authorisation of financial report: The financial report was authorised for issue on the date of signing the director's declaration by the directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by International Innovations Limited are stated in order to assist in a general understanding of the financial report. The financial report is a general purpose financial report prepared on the historical cost basis in accordance with Australian Accounting Standards and the Corporations Act.

The report is prepared on a going concern and accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

Financial report complies with AIFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). Compliance with the Australian equivalents to IFRS (AIFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Going Concern

The financial report has been prepared in accordance with generally accepted accounting principles, which are based on the Company continuing as a going concern.

The Company was incorporated in 2003 to acquire and further develop a range of patent applications relating to Thermal Hydraulic Generators, for converting waste heat energy into mechanical work generating electricity, and for automotive transmission systems. Since that time the Company has further developed these technologies, sought commercial opportunities and protected them through the registration and maintenance of patents. The cost of these activities and general administration costs have been met from capital raisings. During the 2009 financial period International Innovations Limited ("IIL") acquired 63% of Select Design Technologies Limited ("SDTL"), a company which holds rights over complementary technologies. As the Consolidated Entity has not received any revenue streams from these activities it has incurred losses from incorporation to the current date and for the period ended 30 June 2009 these amounted to \$4,483,484. In addition the Consolidated Entity had a deficiency of net assets of \$1,092,601 (deficiency of \$873,837 for the Parent) as at that date, with liabilities comprising loans from directors and shareholders of \$90,223, related party payables of \$83,542 and accruals and sundry creditors of \$1,314,929.

INTERNATIONAL INNOVATIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going Concern (Continued)

These matters give rise to a material uncertainty that may cast significant doubt about the ability of the Company and Consolidated Entity to continue as a going concern.

The Company and Consolidated Entity is dependent upon the ongoing support of its creditors, future capital raisings or ongoing support from the Company's chairman, Mr Hargreaves. A letter of support has been received from Mr Hargreaves who undertakes to continue to provide funding to the Company and Consolidated Entity such that they are able to meet their liabilities as and when they fall due for as long as they require such funding.

The directors of IIL have also advised that they are working to prepare a disclosure document to raise capital from existing shareholders through a rights issue to be followed by the preparation of a prospectus to raise further capital through an initial public offering.

Should the Company and Consolidated Entity be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amounts and classification of liabilities that might result should the Company and Consolidated Entity be unable to continue as a going concern and meet its debts as and when they fall due.

(a) Principles of Consolidation

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Revenue Recognition

Revenue from the sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyer. In most cases this coincides with the transfer of legal title or the passing of possession to the buyer.

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(c) Income Taxes

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

- the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

INTERNATIONAL INNOVATIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Translation of Foreign Currency Transactions

Transactions in foreign currencies on initial recognition in the functional currency are recorded by applying to the foreign currency amount the spot exchange rate at the date of the transaction.

At each balance date:

- (a) foreign currency monetary items are reported using the closing rate;
- (b) non-monetary items which are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- (c) non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially translated during the period, or in previous financial statements, are recognised in profit or loss in the period in which they arise, with the exception of exchange differences arising on a monetary item that forms part of the net investment in a foreign operation which are recognised initially in a separate component of equity and recognised in profit or loss on disposal of the net investment.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments, net of outstanding bank overdrafts.

(f) Receivables

Trade accounts and notes receivable and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

(g) Plant and Equipment

Plant and equipment are brought to account at cost, less where applicable any accumulated depreciation. 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.

Plant and equipment is written off over its estimated useful life to the Company, commencing from the time the asset is held ready for use, using the diminishing balance method. The depreciation rates used for each class of depreciable assets are:

Office equipment	10%-37%
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(h) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations, exist. Subsequent to initial recognition these instruments are measured as set out below.

INTERNATIONAL INNOVATIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and Receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(i) Accounts Payable

Payables and accrued liabilities represented the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

(j) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, together with benefits arising from wages and salaries and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

(l) Research and Development Expenditure

Research expenditure is recognised as an expense in the period in which incurred. Intangible assets arising from development activities are recognised when resources are available to complete the assets and future economic benefits from use or sale of the assets is probable.

INTERNATIONAL INNOVATIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Share-Based Payment Arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as a increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted. The fair value of goods or services received and the fair value of equity instruments granted is determined by reference to other arms length share issues at the time of the share based payments.

(n) Comparative Figures

Comparatives have been reclassified where appropriate so as to be consistent with the figures presented in the current year. Australian equivalents to International Financial Reporting Standards have been applied to all current and comparative figures consistently.

(o) New Accounting Standards and Interpretations Not Yet Effective

There have been a number of amendments made to Accounting Standards issued by the Australian Accounting Standards Board ("AASB") that are not yet effective.

The directors do not believe that the new and revised standards issued by the AASB that are not yet effective will have any material impact on the financial statements.

(p) Significant Judgements and Key Assumptions

There are no significant judgements or key assumptions made by management in the application of accounting policies that are considered to have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year.

(q) Prior Period Error

In prior years the remuneration; tax payable on remuneration; and superannuation attributable to Mr Stephen Hargreaves had not been recorded as a liability of the company. The impact of the correction of these errors in the year ended 31 December 2007 is as follows:

	Dec 2007	Correction	Dec 2007 Restated
	\$	\$	\$
Director's remuneration	201,111	125,889	327,000
Interest expense	19,790	50,688	70,478
Operating loss	658,239	176,577	834,816
Accruals and sundry creditors	423,088	427,910	850,998
Loan payable to director	-	244,926	244,926
Accumulated losses	9,244,195	672,836	9,917,031

These adjustments are reflected in the comparative figures to the Income and Statement of Financial Position for the 30 June 2009 financial period.

INTERNATIONAL INNOVATIONS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

NOTE 3 INCOME TAX

	Consolidated Group 30 June 2009 \$	Consolidated Group 31 Dec 2007 \$	Parent entity 30 June 2009 \$	Parent entity 31 Dec 2007 \$
(a) Income tax benefit				
Prima facie income tax benefit calculated at 30% on the loss for the 18 month period	1,387,349	250,445	1,321,719	250,445
Less Tax effect of:				
Non-deductable expenses				
Impairment of goodwill / investment	(839,372)	-	(775,624)	-
Deferred tax asset not yet recognised	(547,977)	(250,445)	(546,095)	(250,445)
Income tax (benefit)	-	-	-	-
(b) Deferred tax asset calculated at 30% on the loss for the 18 month period				
The potential deferred tax asset at 30 June 2009 not recognised is as follows: Losses not recognised	1,202,707	654,730	1,200,825	654,730

A deferred tax asset in respect of tax losses has not been accounted for as an asset in the financial statements as the realisation of the benefit is not probable. The tax losses identified above may not be able to be recovered in future taxable income earning years. The balance is identified however it has not been determined if the company has met the continuity of ownership test or same business test to enable all or part of these losses to be utilised.

(c) Income tax refund as per the Consolidated Income Statement

The income tax refund, as per the Consolidated Income Statement of \$141,011, represents research and development tax offsets received during the period for the year ended 31 December 2007. Work is in progress to determine whether claims for the six month period ended 30 June 2008 and the year ended 30 June 2009 can be made. At this stage the value of the potential claims is not able to be measured reliably.

INTERNATIONAL INNOVATIONS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

	Consolidated Group 30 June 2009 \$	Consolidated Group 31 Dec 2007 \$	Parent entity 30 June 2009 \$	Parent entity 31 Dec 2007 \$
NOTE 4 CASH AND CASH EQUIVALENTS				
Cash at bank	100	52,115	-	52,115
	100	52,115	-	52,115
NOTE 5 RECEIVABLES				
Current				-
Goods and services tax	24,476	10,409	21,248	10,409
Loan to controlled entity	-	-	77,463	-
Sundry debtors	141,011	-	141,011	-
Loan to director -Steve Hargreaves	247,498	-	247,498	-
	412,985	10,409	487,220	10,409
NOTE 6 PLANT AND EQUIPMENT				
Office equipment at cost	29,094	25,420	29,094	25,420
Less: Accumulated depreciation	(22,392)	(15,329)	(22,392)	(15,329)
	6,702	10,091	6,702	10,091
Plant & equipment at cost	5,580	-	5,580	-
Less: Accumulated depreciation	(1,873)	-	(1,873)	-
	3,707	-	3,707	-
Total plant & equipment	10,409	10,091	10,409	10,091
Movement in carrying values during the period:				
- Office equipment				
Balance at beginning of period	10,091	15,831	10,091	15,831
Additions	3,674	-	3,674	-
Depreciation	(7,063)	(5,740)	(7,063)	(5,740)
End of period	6,702	10,091	6,702	10,091
-Plant & Equipment				
Balance at beginning of reporting period	-	-	-	-
Additions	5,580	-	5,580	-
Depreciation	(1,873)	-	(1,873)	-
End of period	3,707	-	3,707	-
Total plant & equipment	10,409	10,091	10,409	10,091

INTERNATIONAL INNOVATIONS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

	Consolidated Group 30 June 2009 \$	Consolidated Group 31 Dec 2007 \$	Parent Entity 30 June 2009 \$	Parent Entity 31 Dec 2007 \$
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NOTE 7 OTHER FINANCIAL ASSETS

Shares in controlled entity (Note 16)				
Select Design Technologies Ltd	-	-	2,585,413	-
Less impairment	-	-	(2,585,413)	-
	-	-	-	-

During the financial period, the directors of the company assessed that the recoverable amount of the investment in SDTL and due to the uncertainty surrounding the timing and quantum of the potential cash flows from the technology acquired determined the investment was impaired.

NOTE 8 INTANGIBLES

Goodwill				
Select Design Technologies Ltd	2,797,908	-	-	-
Less impairment	(2,797,908)	-	-	-
	-	-	-	-
Reconciliation of movements				
Opening balance	-	-	-	-
Additions				
Acquired on acquisition of controlled entity	2,797,908	-	-	-
Less impairment	(2,797,908)	-	-	-
	-	-	-	-

During the financial period, the directors assessed the recoverable amount of goodwill and due to the uncertainty surrounding the timing and quantum of the potential cash flows from the technology acquired determined the goodwill relating to the acquisition of SDTL was considered to be impaired

NOTE 9 FINANCIAL LIABILITY

Bank overdraft	766	-	435	-
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NOTE 10 PAYABLES

Current				
Unsecured –				
Accruals and sundry creditors	1,314,929	850,998	1,291,185	850,998
Related party payables	83,542	-	53,211	-
Loan from directors	53,949	244,926	-	244,926
Shareholders loan	36,274	-	-	-
Loan from Select Design Technologies Limited	-	40,714	-	40,714
	1,488,694	1,136,638	1,344,396	1,136,638

INTERNATIONAL INNOVATIONS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

	Consolidated Group 30 June 2009 \$	Consolidated Group 31 Dec 2007 \$	Parent Entity 30 June 2009 \$	Parent Entity 31 Dec 2007 \$
NOTE 11 PROVISIONS				
Employee benefits	26,635	-	26,635	-

	Consolidated Group 30 June 2009 \$	Consolidated Group 31 Dec 2007 \$	Parent Entity 30 June 2009 \$	Parent Entity 31 Dec 2007 \$
NOTE 12 SHARE CAPITAL				
1,198,933,492 (2007: 724,954,311) fully paid ordinary shares	13,292,914	8,834,508	13,292,914	8,834,508

Reconciliation of movement in ordinary shares during the period

	No of Shares	Consolidated Group 30 June 2009 \$	Consolidated Group 31 Dec 2007 \$	Parent Entity 30 June 2009 \$	Parent Entity 31 Dec 2007 \$
Opening Balance 1 Jan 2008	724,954,311	8,834,508	8,200,008	8,834,508	8,200,008
Issued for working capital	208,387,929	1,927,283	-	1,927,283	-
Transfer from shares to be issued	350,000	3,500	-	3,500	-
Acquisition of subsidiary	258,541,252	2,585,413	-	2,585,413	-
Settlement of Share issue Cost	6,700,000	67,000	-	67,000	-
Share issue costs	-	(124,790)	-	(124,790)	-
Closing balance 30 June 2009	1,198,933,492	13,292,914	8,200,008	13,292,914	8,200,008
Opening Balance 1 Jan 2007	675,685,003	-	8,200,008	-	8,200,008
Issues for working capital	49,269,308	-	652,400	-	652,400
Share issue costs	-	-	(17,900)	-	(17,900)
Closing balance 31 Dec 2007	724,954,311	-	8,834,508	-	8,834,508

Shares to be issued

As at 30 June 2009, 1,000,000 (2007: 1,350,000) shares in relation to \$15,000 (2007: \$18,500) funds received for working capital purposes had not been formally issued.

Terms and conditions of ordinary shares

The company does not have limited authorised capital and issued shares have no par value.

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

INTERNATIONAL INNOVATIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

NOTE 12 SHARE CAPITAL (CONT'D)

Capital Management

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes in the company's approach to capital management during the year. The company is not subject to externally imposed capital requirements. The directors have raised additional capital through equity raisings subsequent to 30 June 2009.

NOTE 13 CASH FLOW INFORMATION

	Consolidated Group 30 June 2009 \$	Consolidated Group 31 Dec 2007 \$	Parent Entity 30 June 2009 \$	Parent Entity 31 Dec 2007 \$
(a) Reconciliation of net cash used in operating activities				
Total loss after income tax	(4,483,484)	(834,816)	(4,264,720)	(834,816)
Add/(less) non-cash items:				
- Expenses paid directly by a director	-	127,397	-	127,397
- Depreciation expense	8,936	5,740	8,936	5,740
- Allowance for non recovery of loan	-	(45,686)	-	(45,686)
- Impairment of investment	-	-	2,585,413	-
- Impairment of goodwill	2,797,908	-	-	-
Changes in assets and liabilities				
- (Increase) in receivables	(152,190)	(3,806)	(270,027)	(3,806)
- Increase in provisions	26,635	-	26,635	-
- Increase in payables	382,012	236,850	493,398	236,850
Cash flows (used in) operating activities	(1,420,183)	(514,321)	(1,420,365)	(514,321)
(b) Reconciliation of Cash				
Cash at the end of the financial year as shown in the of cash flow statement is reconciled to items in the balance sheet as follows:				
- Cash on Hand	100	-	-	-
- Cash Assets	(766)	52,115	(435)	52,115
	(666)	52,115	(435)	52,115

(c) Non-cash financing activities

During the period \$124,790 of share issue costs were settled through the issue of shares or retained as consideration for share issue costs prior to the receipt of share proceeds.

INTERNATIONAL INNOVATIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

NOTE 14 AUDITOR'S REMUNERATION

	Consolidated Group 30 June 2009 \$	Consolidated Group 31 Dec 2007 \$	Parent Entity 30 June 2009 \$	Parent Entity 31 Dec 2007 \$
Audit of financial report	22,000	15,000	22,000	15,000
Other non-audit services	53,409	4,500	53,409	4,500
	75,409	19,500	75,409	19,500

NOTE 15 RELATED PARTY TRANSACTIONS

Directors	Position
Mr S Hargreaves	Executive Chairman, CEO and Company Secretary (Appointed 12 November 2003)
Mr I Kiernan	Non-Executive Director (Appointed 21 May 2007, Resigned 3 February 2009)
Dr M Bolton	Non-Executive Director (Appointed 7 June 2007)
Mr R Husher	Non-Executive Director (Appointed 7 June 2007, Resigned 25 January 2010)
Dr S Pilditch	Non-Executive Director (Appointed 7 June 2007)
Mr B Schlagregen	Non-Executive Director (Appointed 26 August 2008, Resigned 19 January 2009)
Dr N Ward	Non-Executive Director (Appointed 14 February 2008, Resigned 22 May 2008)
Mr D Diamond	Non-Executive Director (Appointed 3 rd June 2010)

Key Management Personnel Compensation

Key management personnel comprise the directors.

Short term employee benefits	518,727	300,000	518,727	300,000
Post employment benefits	41,490	27,000	41,490	27,000
	560,217	327,000	560,217	327,000

Principles of compensation

The board policy for determining the nature and amount of compensation of key management personnel is as follows:

- Remuneration of executive directors is determined by the Board of directors having regard to the company's operational and financial performance. Consideration is given to the person's duties and responsibilities.
- Remuneration of non-executive directors is determined by the Board of directors having regard to industry practice and the need to obtain appropriately qualified persons.

INTERNATIONAL INNOVATIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

NOTE 15 RELATED PARTY TRANSACTIONS (CONT'D)

Shareholdings held directly, indirectly or beneficially by each key management person including their related parties

Ordinary shares of International Innovations Ltd

<u>Director</u>	<u>Balance at 01/01/2008</u>	<u>Granted as remuneration</u>	<u>Received on acquisition of SDTL</u>	<u>Other changes</u>	<u>Balance at 30/6/2009</u>
S M Hargreaves	263,116,783	-	70,350,456	(22,487,085)	310,980,154
I Kiernan (1)	10,000,000	-	-	(10,000,000)	-
<u>Total</u>	<u>273,116,783</u>	<u>-</u>	<u>70,350,456</u>	<u>(32,487,085)</u>	<u>310,980,154</u>

1) Resigned as director 3 February 2009

Other transactions and balances

During the period International Innovations Ltd paid \$118,177 relating to expenses incurred by SDTL.

During the period the company advanced \$40,000 to Bernd Schlagregen, former director, to pursue the development of existing patents. Bernd resigned as director on 19 January 2009 and the entity considers the loan to not be recoverable and has subsequently written off the \$40,000 as a bad debt.

During the previous financial period a director related entity of M Webb received \$1,600 for the provision of accounting services. Services were charged at standard industry rates.

Loans to / (from) Directors

Loans to directors—unsecured	247,498	-	247,498	-
Loans from directors—unsecured	(53,949)	(244,926)	-	(244,926)

Mr Hargreaves provided interest free loans to the company with no fixed terms of repayments in respect of these loans.

	<u>Opening Balance</u>	<u>Advances</u>	<u>Repayments</u>	<u>Interest</u>	<u>Closing Balance</u>
S. Hargreaves	(244,926)	412,424	(80,000)	-	247,498

Balances at year end

Amounts payable by Select Design Technology Pty Ltd	-	-	77,463	-
Amounts payable to Select Design Technology Pty Ltd	-	40,714	-	40,714
Directors fees payable to Ian Kiernan	25,000	-	25,000	-
Superannuation payable to Stephen Hargreaves	28,211	103,721	28,211	103,721

Parent and ultimate controlling entity

The company does not have any immediate or ultimate parent entity.

INTERNATIONAL INNOVATIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

NOTE 16 BUSINESS ACQUISITIONS

Subsidiary: Select Design Technologies Limited
 Country of incorporation: Australia
 Percentage owned: 63.19% (2007: Nil)
 Date acquired: 31 May 2009

Consideration provided by the parent entity at completion was:		\$
-Issue of 258,541,252 fully paid ordinary shares @ \$0.01		2,585,413
Assets and liabilities acquired	Acquiree's carrying amount	Fair Value
Cash at bank and on hand	(414)	(414)
Receivables	4,588	4,588
Payables	(48,347)	(48,347)
Loans to / from related parties	(168,322)	(168,322)
Net asset deficiency	(212,495)	(212,495)
Goodwill		2,797,908

NOTE 17 MINORITY INTERESTS IN CONTROLLED ENTITIES

	Consolidated Group 30 June 2009 \$	Consolidated Group 31 Dec 2007 \$	Parent Entity 30 June 2009 \$	Parent Entity 31 Dec 2007 \$
Minority shareholders have the following interests in the equity of controlled entities:				
- Issued share capital	-	-	-	-
-Pre-acquisition accumulated losses	-	-	-	-
- Share of net loss after income tax for the period	-	-	-	-
Total minority interests	-	-	-	-

The controlled entity has a deficiency of net assets and made a loss for the period. In accordance with Accounting Standards no allocation of this deficiency is made to the minority interest.

INTERNATIONAL INNOVATIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Instruments

The economic entity's principal financial instruments comprise receivables, payables, bank overdraft, cash and cash equivalents. These activities expose the economic entity to a variety of financial risks: interest rate risk, currency risk, price risk, credit risk and liquidity risk.

Although the economic entity does not have documented policies and procedures, the directors and management manage the different types of risks to which it is exposed by considering and monitoring levels of exposure to interest rate and foreign exchange risk and by being aware of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through general business budgets and forecasts.

	Weighted Average								
	Interest Rate	Variable Interest	Non-Interest Bearing	Fixed Interest				Total	
				1 year or less	1 to 5 years				

Consolidated	2009	2007	2009	2007	2009	2007	2009	2007	2009	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets:										
Cash	-	-	100	52,115	-	-	-	-	100	52,115
Receivables	-	-	412,985	10,409	-	-	-	-	412,985	10,409
Total Financial Assets:	-	-	413,085	62,524	-	-	-	-	413,085	62,524
Financial Liabilities:										
Bank overdraft	766	-	-	-	-	-	-	-	766	-
Payables	-	-	1,488,694	1,136,638	-	-	-	-	1,488,694	1,136,638
Total Financial Liabilities:	766	-	1,488,694	1,136,638	-	-	-	-	1,489,460	1,136,638

Parent	2009	2007	2009	2007	2009	2007	2009	2007	2009	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets:										
Cash	-	-	-	52,115	-	-	-	-	-	52,115
Receivables	-	-	487,220	10,409	-	-	-	-	487,220	10,409
Total Financial Assets:	-	-	487,220	62,524	-	-	-	-	487,220	62,524
Financial Liabilities:										
Bank overdraft	435	-	-	-	-	-	-	-	435	-
Payables	-	-	1,344,396	1,136,638	-	-	-	-	1,344,396	1,136,638
Total Financial Liabilities:	435	-	1,344,396	1,136,638	-	-	-	-	1,344,831	1,132,628

INTERNATIONAL INNOVATIONS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 30 JUNE 2009

NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Risks exposures and Responses

Interest rate risk

The effect of volatility of interest rates within expected reasonable possible movements would not be material

Price Risk

The economic entity's exposure to commodity and equity securities price risk is minimal.

Currency Risk

At 30 June 2009 a foreign currency exposure of 52,594 Euros existed.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets.

There are no significant concentrations of credit risk.

Liquidity Risk

The economic entity manages liquidity risk by monitoring cash flow and maturity profiles of financial assets and liabilities. No financial assets or liabilities of the parent or economic entity have maturities extending beyond six(6) months.

NOTE 19 SEGMENT REPORTING

The company operated in the European market for the development of technologically advanced products.

NOTE 20 COMMITMENTS FOR EXPENDITURE

There are no commitments for expenditure as at 30 June 2009.

NOTE 21 EVENTS AFTER BALANCE DATE

Subsequent to the end of the period, \$82,500 has been raised through the issue of 8,250,000 shares at 1 cent per share, with associated share issue costs of \$11,386. In addition a further 1,414,564 shares have been issued under the 1 for 1 scrip offer for the acquisition of SDTL by IIL.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INTERNATIONAL INNOVATIONS LIMITED**Chartered Accountants
& Business Advisers**Report on the Financial Report**

We have audited the accompanying financial report of International Innovations Limited, which comprises the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the eighteen month period ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration for both International Innovations Limited and the consolidated entity. The consolidated entity comprises International Innovations Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Basis for Adverse Auditor's Conclusion

The Directors have prepared the financial report on the going concern basis as described in Note 2 "Going Concern" and state in the Director's declaration that in their opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The company and consolidated entity have a deficiency of assets and are reliant on future capital raisings or ongoing support from its director, Mr Steve Hargreaves. The Company and consolidated entity have previously received financial support from Mr Hargreaves and Mr Hargreaves has provided a letter indicating his ongoing support, however we have been unable to obtain sufficient appropriate evidence as to whether the company will be able to raise funds or whether the Director, Mr Steve Hargreaves, has the capacity to provide funding to ensure the company will be able to continue to pay its debts as and when they fall due.

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**INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF INTERNATIONAL INNOVATIONS LIMITED**



Chartered Accountants
& Business Advisers

Basis for Adverse Auditor's Conclusion

The Company is considering methods of raising additional capital to meet its liabilities and fund its ongoing operations and research and development activities. We have not been able to obtain sufficient appropriate evidence to conclude that it is not highly improbable that the company will continue as a going concern.

Adverse Auditor's Conclusion

For the reasons set out in the Basis for Adverse Auditor's Conclusion paragraph above, we conclude:

- (a) the financial report of International Innovations Limited is not in accordance with the Corporations Act 2001, and does not:
 - (i) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the period ended on that date;
 - (ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report does not comply with International financial reporting standards as disclosed in Note 2.

A handwritten signature in blue ink, appearing to be 'R A Dean'.

PKF

16 June 2010
Melbourne

A handwritten signature in blue ink, appearing to be 'R A Dean'.

R A Dean
Partner