POWERLAN

ANNUAL REPORT
30 JUNE 2010

2010

Powerlan Limited
Level 3
15 Blue Street
North Sydney NSW 2060
Australia

CONTENTS

This annual report covers Powerlan Limited as a consolidated entity. Powerlan Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Powerlan Limited
Level 3, 15 Blue Street
North Sydney NSW 2060
Australia

Dr Ian Campbell
Executive Chairman

Ian Lancaster
Non-Executive Director

Geoff Harrington
Non-Executive Director

Fiona McLeod
Non-Executive Director

POWERLAN BUSINESSES

Powerlan Limited ("Powerlan" or the "Company"), a publicly listed company, and its controlled entities (the "Group"), enables its customers to achieve productivity gains by leveraging its unique intellectual property to provide specialist information technology products and services through three operating divisions: Clarity; Converter Technology; and IMX Software.

Clarity is the market leader in unified telecommunications operational management software solutions. Clarity provides proven, pre-integrated solutions that are used by service providers to roll-out and manage networks, develop and sell market leading products, fulfill customer orders, and assure the quality of customer services for multi-vendor, multi-service networks. It enables real-time executive visibility of the network's impact on revenues and customer experience. Clarity is network and service neutral, driven by templates and workflows that are rapidly configurable, allowing telecommunication service providers to significantly cut the time and cost to market for new services.

Clarity is differentiated as a highly flexible solution that can be deployed as a pre-integrated end-to-end solution in a modular fashion or integrated with third-party solutions. The solution caters for an operator's growth in subscriber volumes through the system's inherent scalability and robustness. Through its product differentiation and the ability to deliver flexible solutions Clarity has built up a dominant market position in Asia, with a number of major Tier 1 operators around the region now using Clarity's products. Clarity's management continues to leverage these strengths to expand the business into new territories, including the Middle East, Africa and Europe.

Clarity supports an integrated, process driven value proposition which enables service providers to stay competitive in both traditional and next generation communications markets by simplifying their operational systems environment, which reduces overall operating costs and increases their business agility to integrate new business-to-business models.

The Clarity Portfolio includes four suites of products:

- Clarity Infrastructure Management (incorporating the intellectual property from the Omnix Software Ltd acquisition) used to realise operational efficiency in infrastructure investment, from project planning to ongoing asset and estate management.
- Clarity Marketplace (incorporating the assets acquired from Dot Communications Pty Ltd) used to support any market including retail, wholesale and partner channels for customer account management, self-care, product ordering, settlements and billing.
- Clarity Fulfillment used to simplify the operational management of multi-technology, multi-vendor networks across inventory, provisioning and activation.
- Clarity Assurance used to monitor and manage network performance and incidents through to resolution, to ensure customer satisfaction.

Established in 1994, Clarity's solutions currently help operators around the world manage over 250 million subscribers. Clarity's solutions are designed for telecommunication and service providers and utility companies, particularly service providers who require short time-to-market solutions for emerging new technologies or seek to rationalise their complex and hard to manage existing OSS software platforms. Major customers include AAPT, PLDT, Globe Telecom, Reliance Communications, BSNL, Sri Lanka Telecom, Telekom Malaysia, 02 UK, Orange, Telkom Indonesia, Telstra Clear, Vivacom, Vodafone (UK and Ireland), Western Power (Energy) and Zain.

POWERLAN BUSINESSES

CONVERTER TECHNOLOGY

ConverterTechnology provides software and services to help enterprises capitalize on the benefits of the latest versions of Microsoft Office and the Windows operating system without the migration risks of data corruption, reduced employee productivity and critical business application downtime. Founded in 1997, ConverterTechnology has helped more than one million users identify, analyze and fix compatibility errors before they occur, mitigating risk and accelerating time to deployment. ConverterTechnology is headquartered in Nashua, New Hampshire, with offices in Europe and Australia.

The volume of files created by both desktop application users and business applications continues to grow. Understanding which business-critical files and applications are affected by IT projects such as upgrading to the latest version of Office, and the risk those projects pose for the availability and functionality of the files and applications are a critical step for the success of almost all technology-refresh projects. ConverterTechnology's market opportunity is driven by the need to get these millions of files and applications properly inventoried, managed, under control and fully compatible with their new platforms.

In recent years ConverterTechnology has developed strong relationships with Microsoft and its partners and is the leading provider of proprietary software tools that help discover, examine, analyse and adapt files and applications so they are useable in upgraded environments. Microsoft's Office product line and the Windows 7 operating system continue to present a number of challenges to large enterprises seeking to upgrade their infrastructure which ConverterTechnology is well positioned to address. ConverterTechnology has developed significant expertise through experience and is uniquely placed to build a successful and scalable business by leveraging both its Microsoft relationship and a number of developing relationships with partners worldwide.

imx software

IMX Software is the global leader in banknote trading and travel money technology solutions. Founded in 1991, the company specialises in developing software solutions for three market segments: wholesale currency and banknote trading; currency distribution and fulfilment; and retail foreign exchange and travel money products for business-to-business and business-to-consumer channels.

IMX wholesale and distribution solutions automate the processes that support the purchase, sale, fulfilment, secure shipment and settlement of high volume bank note, foreign currency and precious metal trading with integrated reporting tools that support internal audit and compliance obligations to the high standards demanded by central banks.

IMX retail solutions automate the provision of travel money products and cash, and foreign currency exchange via point-of-sale and online channels, with full support for international anti-money laundering regulations governing such transactions.

Over 100 organisations across the globe have benefited from IMX's solutions including American Express, ANZ Bank, Credit Suisse, Commerzbank, HSBC, Royal Bank of Scotland, Standard Bank and the UK and Australian Post Offices.

CORPORATE DIRECTORY

Powerlan Limited

Directors

Dr I Campbell – Non-Executive Chairman
Mr G Harrington – Independent Non-Executive Director
Mr I Lancaster – Independent Non-Executive Director
Ms F McLeod – Independent Non-Executive Director

Chief Executive Officer & Company Secretary

Mr J Newbery

Chief Financial Officer

Mr A Wrigglesworth

Registered Office and Principal Place of Business

Powerlan Limited
Level 3, 15 Blue Street
North Sydney NSW 2060

Powerlan Limited is a company incorporated in Australia.

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Auditors

PKF Chartered Accountants
Level 10, 1 Margaret Street
Sydney NSW 2000

Lawyers

Henry Davis York
44 Martin Place
Sydney NSW 2000

Bankers

HSBC Bank Australia Limited
570 George Street
Sydney NSW 2000

Stock Exchange Listing

Powerlan Limited shares are quoted on the Australian Stock Exchange.
ASX: PWR

Notice of Annual General Meeting

The Annual General Meeting of Powerlan Limited will be held at:

9.30 AM Monday, 29 November 2010
NSW Trade & Investment Centre
Hamilton Room
Level 47 MLC Centre
19 Martin Place
Sydney NSW 2000
Australia

A formal notice of meeting is enclosed.

DIRECTORS' REPORT
Powerlan Limited

Your Directors present this report together with the financial statements of Powerlan and its controlled entities for the financial year ended 30 June 2010.

Current Directors

The Directors of Powerlan in office at any time during or since the end of the financial year are as follows (Directors were in office since the start of the financial year and at the date of this report unless otherwise stated):

Ian Campbell – Non-Executive Chairman

Dr Campbell holds a PhD in Electrical Engineering from the University of New South Wales and has 39 years' experience in software and electronic commerce. Dr Campbell co-founded the privately owned CPS Group in 1970, and has been the Chairman and Managing Director of the CPS Group since 1990. The CPS Group is currently the major shareholder in Powerlan. Dr Campbell has been a Director since 28 November 2005.

Geoff Harrington – Independent Non-Executive Director

Mr Harrington has over 34 years' experience in investment banking covering all aspects of corporate finance including divestments, acquisitions, take-overs and take-over defences. He has advised on cross border transactions in the United Kingdom, United States, France, Germany, Indonesia, Malaysia, the Netherlands and Thailand. Since 1990 Mr Harrington has run his own firm providing investment banking services for smaller transactions. Mr Harrington holds a Bachelor of Commerce and Master of Business Administration from the University of New South Wales. Mr Harrington has been a Director since 28 November 2005 and is a member of the Audit Committee.

Ian Lancaster – Independent Non-Executive Director

Mr Lancaster holds a BA (Major in Accounting and Financial Studies) from Macquarie University and has been a CPA since 1985. During his career Mr Lancaster has held various senior executive positions including Vice President Accounting and Finance of the Grundy Organisation and Network Financial Controller for The Seven Network. He has a keen appreciation for the challenges of developing a strong commercial environment, having himself built a successful general insurance brokerage firm. Mr Lancaster brings to the Board a unique combination of accounting and business experiences. Mr Lancaster has been a Director since 28 November 2005 and chairs the Audit Committee and is a member of the Remuneration Committee.

Fiona McLeod – Independent Non-Executive Director

Ms McLeod is Victoria's Energy and Water Ombudsman and is a Fellow of the Australian Institute of Company Directors. She was appointed to Powerlan's board in January 2007. During her career Ms McLeod has held senior positions in government agencies including Commissioner and Assistant Commissioner for Equal Opportunity in Victoria and as a Conciliator/Community Educator for the Victorian Equal Opportunity Commission and the Queensland Human Rights and Equal Opportunity Commission. Ms McLeod is a former CEO of the Royal Australian College of Obstetricians and Gynaecologists and General Manager of the State Trust Corporation of Victoria. She is Chairperson of the Australian and New Zealand Ombudsman Association (ANZOA) and Chairman of Trustees of Douta Galla Aged Care Services. Ms McLeod chairs the Remuneration Committee.

Executive

Jon Newbery – Chief Executive Officer and Company Secretary

Jon Newbery has 23 years of management, finance, operational, and turnaround experience. He qualified as an accountant with Arthur Andersen in London, before moving to Warsaw, Poland in 1991 to assist in establishing the consultancy's presence there. Jon moved to Australia in June 2000, where he joined Newport Capital Group as an investment director. While at Newport, he worked with early stage Australian technology companies advising on fund raising, restructuring and exit opportunities. In 2002, Jon established his own operational consulting business, where he successfully ran a number of early stage technology businesses. Jon joined Powerlan in May 2006 and was appointed the Chief Executive Officer in February 2007. Jon is a member of the Institute of Chartered Accountants of England and Wales and the Australian Institute of Company Directors.

Andrew Wrigglesworth – Chief Financial Officer

Andrew has more than 15 years' experience in senior finance and general management roles, working for global telecommunications organisations including Energis, Cable & Wireless, Vanco and Reliance Globalcom. During his tenures Andrew has run the General Management of a joint venture between Cable & Wireless and France Telecom in the Pacific region and has managed global international finance, commercial and legal teams throughout Europe and Asia-Pacific. Andrew joined Powerlan in March 2010 and is responsible for managing Finance, Human Resources, IT, Legal & Administration. Andrew has a degree in Politics & Economics from Loughborough University in the UK and is a member of the Chartered Institute of Management Accountants.

Directorships of Other Listed Companies

Other than Dr Ian Campbell no director held directorships in other listed companies in the three years immediately preceding 30 June 2010.

Dr Ian Campbell is a Director on AnaeCo Limited (ASX code: ANQ).

Principal Activities

The principal activities of the Group during the financial year were the provision of software solutions and related services that enable customers to achieve productivity gains by leveraging the Group's unique intellectual property. These activities were delivered through three operating divisions:

- Clarity – provides proven, pre-integrated solutions that are used by service providers to roll-out and manage networks, develop and sell market leading products, fulfill customer orders, and assure the quality of customer services for multi-vendor, multi-service networks. Clarity is network and service neutral, driven by templates and workflows that are rapidly configurable, allowing telecom companies to significantly cut the time and cost to deliver new services.
- Converter Technology – delivers software and services that simplify enterprise file and application migrations and reduce the risks associated with large-scale IT deployment projects, particularly in the Microsoft environment.
- IMX Software – offers software solutions for the travel money, foreign exchange and the international banking industries.

Consolidated Results

Revenue from continuing operations for the financial year ended 30 June 2010 was $27.3 million (2009: $38.6 million). The loss from continuing operations before tax was $12.7 million (2009: $11.5 million loss which included a charge of $5.4 million arising from the impairment of the carrying value of goodwill relating to Powerlan's investment in IMX Software).

The net loss attributable to members of the Group for the year was $13.9 million (2009: loss of $11.8 million).

Review of Operations

Revenues from continuing operations for the 12 months ended 30 June 2010 decreased by 29.3% to $27.3 million. Delays in securing a number of new key projects and in the completion of both new and legacy projects were the main reasons for the decrease in revenues compared with the previous year. The global financial crisis caused a general loss of confidence across the telco industry. The resultant reduction in capital expenditure commitments impacted heavily upon proposed investment in OSS projects that were either delayed indefinitely or cancelled. Other revenues were $1.1 million for the year (2009: $0.6 million) mostly arising out of foreign currency gains. The loss from continuing operations before income tax was $12.7 million (2009: $11.5 million) representing a 11% increase compared with the previous year. No impairment was made (2009:$5.4 million for impairment of the carrying value of goodwill relating to Powerlan's investment in IMX Software) to the carrying value of goodwill relating to Powerlan's investment in Clarity.

During the year, expenses, excluding finance costs and impairment of intangible assets, from the same operations dropped by 11% to $39.6 million mainly on account of reduced project related expenditure.

The loss from continuing operations before interest, tax, depreciation, impairment and amortisation was $10.7 million (2009: $4.7 million).

The revenue and related costs of discontinued operations during the year resulted in a loss of $0.8 million (2009: $0.8 million).

Financial Position

Some of the major changes impacting the financial position of the Group include:

- rights issue raising capital of $15.4 million; of which $9 million was used to repay debt from CPS Group Investments Pty Ltd as trustees for Powerlan Investment Trust ("CPS"); and
- the acquisition of the minority interest (49%) in Omnix ($1.5M).

Dependence on funding from CPS

The Company is dependent on a credit facility from CPS, which owns 47.63% of the share capital in Powerlan. Details of the funding facility can be found in Note 24. Notwithstanding the current and prior period losses and negative operating cash flows, Dr Ian Campbell, the Chairman of the Group and Chairman of its major shareholder, CPS, has agreed to provide continued financial support. He has also advised that he will not require repayment of any of the outstanding debt until at least than 31 August 2011. The directors are confident that the Company will achieve improved operating performance and cash flows in each of the divisions over the period to 31 August 2011.

After taking into account all of the available information, including the following factors:

- continued financial support from CPS and the Chairman of the Group;
- the pipelines in each of the divisions and anticipated improved operational performance; and
- ongoing prudent cost management being undertaken across the Group.

The directors have concluded that there are reasonable grounds to believe that the basis for the preparation of the financial statements on a going concern basis is appropriate.

Dividends

No dividends have been declared or paid since the start of the year and the directors do not recommend the payment of a final dividend for the year ended 30 June 2010 (2009: $nil).

Employees

The Group had 188 employees at 30 June 2010 (2009: 180).

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Group during the year.

Significant Events after Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group or the Company, the results of those operations or the state of affairs of the Group or the Company in future financial years.

Likely Developments and Future Results

The Directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial years as the Directors have reasonable grounds to believe that such disclosure is likely to result in unreasonable prejudice to the Group.

Environmental Issues

The Group is not subject to any significant environmental regulations under the laws of the Commonwealth and State.

Remuneration Report

The information provided in this remuneration report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

This report details the nature and amount of remuneration for each key management person of the Group and for the executives receiving the highest remuneration.

Non-Executive Directors

Dr I Campbell

Independent Non-Executive Directors

Mr G Harrington
Mr I Lancaster
Ms F McLeod

Executives

Mr J Newbery – Chief Executive Officer and Company Secretary
Mr W Tickner – appointed as CEO of IMX Software on 5 May 2010
Mr A Wrigglesworth – appointed as Chief Financial Officer on 8 March 2010
Mr R McWalter (resigned 1 March 2010)
Ms M Woods (resigned 31 December 2008)

Remuneration Policy

Remuneration of senior executives of the Group is based on normal commercial rates for similar levels of responsibility and incorporates both fixed and variable remuneration. Variable remuneration is directly related to an individual's achievement of pre-agreed performance indicators as well as the Company or business unit's overall performance.

All senior executives receive a base package which includes a base salary and superannuation guarantee contributions. The split of the base package can be amended to take advantage of salary packaging opportunities as long as the total employment cost to the Company or business unit does not exceed the agreed base package, there are no additional tax liabilities and complies with the local tax authority guidelines.

All remuneration paid to directors and other senior executives is valued at the cost to the Group and expensed. Shares given to directors and other senior executives are valued as the difference between the market price of those shares and the amount payable. Options are valued using the Black-Scholes methodology.

The Board's policy is to remunerate non-executive directors at market rates for their time, commitment and responsibilities having regard to industry practice and the need to obtain appropriately qualified directors. The maximum aggregate amount of directors' fees that can be paid to a non-executive director is limited by the Company's Constitution to $500,000 and can only change subject to approval by shareholders at a General Meeting. Fees for non-executives are not linked to the performance of the Group. However, to align the directors' interests with those of other shareholders, the directors are encouraged to hold shares in the Company.

Performance-based Remuneration

As part of each senior executive's remuneration package there is a performance based component relating to key performance indicators ("KPIs"). The KPIs are set annually and are specifically tailored to the areas each executive is involved in and has a level of control over. These KPIs are based predominately on the financial performance of each of the business units. Performance of the senior executives against these agreed KPIs is assessed annually.

Company Performance, Shareholder Wealth and Director and Executive Remuneration

The remuneration policy has been tailored to align the senior executive's interests with shareholder interests. Two of the major KPIs for the senior executives are revenue growth and profitability. The Board considers these to be fundamental to creating shareholder wealth.

The Company seeks to create shareholder value through increases in the share price by restructuring the operations of the business units and setting clear strategic directions. However, due to the delays in delivering sustainable profits from ongoing operations, dilution on account of the rights issue and the significant interest in Powerlan acquired by Asia Info Singapore from ANZ Banking Group which has created an overhang in the market, Powerlan's share price has continued to decline during the year from a closing price of $0.060 at 30 June 2009 to $0.031 at 30 June 2010, representing a 48% decrease during the year.

Company Performance	2006	2007	2008	2009	2010
Net profit after tax ($'000)	5,940	(2,223)	(13,818)	(11,807)	(13,940)
EPS (cents)	15.02	(5.38)	(17.89)	(14.31)	(6.67)
Share price at 30 June (cents)	50.5	22.5	7.6	6.0	3.1
Director and executive remuneration ($'000)	2,432	2,690	1,848	1,913	1,489

Non-Executive Directors' Remuneration

Details of remuneration for years ended 30 June

	Primary Benefits			Post employment	Equity	Other	Total	Perform-ance
	Cash salary & fees $	Short term cash bonus $	Non-monetary $	Superannuation $	Options $	Termination benefits $	$	Related %
Non-Executive Directors								
Dr I Campbell								
2010	192,303	–	–	29,128	–	–	221,431	–
2009	197,620	–	–	75,000	–	–	272,620	–
Mr G Harrington								
2010	45,871	–	–	4,129	–	–	50,000	–
2009	45,871	–	–	4,129	–	–	50,000	–
Mr I Lancaster								
2010	45,871	–	–	4,129	–	–	50,000	–
2009	45,871	–	–	4,129	–	–	50,000	–
Ms F McLeod								
2010	26,758	–	–	23,242	–	–	50,000	–
2009	–	–	–	50,000	–	–	50,000	–
Totals								
2010	**310,803**	**–**	**–**	**60,628**	**–**	**–**	**371,431**	**–**
2009	**289,362**	**–**	**–**	**133,258**	**–**	**–**	**422,620**	**–**

Non-Monetary benefits relate to salary sacrifice arrangements for otherwise deductible packaged remuneration items.

Remuneration of Executives

Details of remuneration for years ended 30 June

	Primary Benefits			Post employment	Equity	Other	Total	Perform-ance Related
	Cash salary & fees $	Short term cash bonus $	Non-monetary $	Superannuation $	Options $	Termination benefits $	$	%
Mr J Newbery								
2010	435,539	–	–	14,461	–	–	450,000	–
2009	350,593	75,000	–	13,745	–	–	439,338	17%
Mr W Tickner (i)								
2010	263,901	26,991	–	–	–	–	290,892	9%
2009	334,217	103,279	–	–	–	–	437,496	24%
Mr A Wrigglesworth (ii)								
2010	92,822	–	–	–	–	–	92,822	–
2009	–	–	–	–	–	–	–	–
Ms M Woods (iii)								
2010	–	–	–	–	–	–	–	–
2009	96,930	18,349	–	10,321	–	118,055	243,655	7%
Mr R McWalter (iv)								
2010	225,416	–	–	–	–	58,390	283,806	–
2009	346,617	13,604		9,999	–	–	370,220	4%
Totals								
2010	**1,017,678**	**26,991**	**–**	**14,461**	**–**	**58,390**	**1,117,520**	**4%**
2009	**1,128,357**	**210,232**	**–**	**34,065**	**–**	**118,055**	**1,490,709**	**14%**

Non-Monetary benefits relate to salary sacrifice arrangements for otherwise deductible packaged remuneration items.

(i) Mr W Tickner was appointed CEO of IMX Software during the year
(ii) Mr A Wrigglesworth was appointed Chief Financial Officer of Powerlan on 8 March 2010
(iii) Ms M Woods resigned on 31 December 2008
(iv) Mr R McWalter resigned on 1 March 2010

Employment Contracts

Details of contracts between executive directors and executives of Powerlan and certain controlled entities are as follows:

Name	Contract	Duration	Notice	Term'n Payment
Mr J Newbery	Yes	–	3 months	6 months
Mr A Wrigglesworth	Yes	–	3 months	6 months
Mr W Tickner	Yes	–	6 months	6 months

Equity Instrument Disclosures Relating to Directors and Executives

Option Holders

There are no options outstanding for directors or executives.

DIRECTORS' REPORT
Powerlan Limited

Shareholdings

The number of ordinary shares in Powerlan held during the year by each director and each of the executives of the Group, including their personally-related entities are set out below.

Directors	Balance at start of the year 1 July 2009	Received during year on the exercise of options	Other changes during the year	Balance at end of the year 30 June 2010
Dr I Campbell	33,221,024	–	132,884,096	166,105,120
Mr I Lancaster	1,431,200	–	5,724,800	7,165,000
Ms F McLeod	–	–	190,400	190,400
Total	**34,652,224**	**–**	**138,799,296**	**173,451,520**

Directors' Interests in Shares or Options

The relevant interest of each director in the shares and options issued by Powerlan, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act, 2001, at the date of this report is as follows:

Powerlan Limited	Ordinary Shares	Options
Dr I Campbell	166,105,120	–
Mr G Harrington	–	–
Mr I Lancaster	7,156,000	–
Ms F McLeod	190,400	–
Total	**173,451,520**	**–**

Director's Interests in Contracts

Director's interests in contracts are disclosed in Note 20 to the financial statements.

Directors' Meetings

Directors' meetings were held on 14 occasions during the year. Attendance at meetings by each of the directors of the Company during the year was as follows:

	Board		Audit Committee		Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Dr I Campbell	14	13	N/A	N/A	N/A	N/A
Mr G Harrington	14	13	3	3	N/A	N/A
Mr I Lancaster	14	13	3	3	1	1
Ms F McLeod	14	13	N/A	N/A	1	1

Indemnification and insurance of officers

The Company has entered into an agreement with American Home Assurance Company to provide Directors and Officers Insurance cover. The cost for the insurance policy for the year ended 30 June 2010 was $42,387 (2009: $38,405).

Powerlan has not indemnified or agreed to indemnify the auditor of the Company or any related body corporate against a liability incurred by the auditor.

Options

No options were granted by Powerlan to the directors or the executives during the financial year ended 30 June 2010, or since that date.

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 year.

Non-audit Services

The details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 3 (f) to the financial statements.

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided by PKF means that the auditor's independence requirement under the Corporations Act 2001 was not compromised, for the following reasons:

- all non-audit services have been received and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for the Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditors own work, acting in a management or decision-making capacity for the company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration in relation to the audit for the financial year is provided on page 12 of this report as required under Section 307C of the Corporations Act 2001.

Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars unless otherwise indicated.

Dated at Sydney on this 31st day of August 2010.

Signed in accordance with a resolution of the directors.

Ian Campbell	Geoff Harrington
Dr I Campbell	G Harrington
Chairman	Director

PKF

Chartered Accountants
& Business Advisers

Auditor's Independence Declaration
Under Section 307C of the *Corporations Act 2001*

To the Directors of Powerlan Limited:

As lead auditor for the audit of Powerlan Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Powerlan Limited and the entities it controlled during the year.

PKF

Paul Bull
Partner

Sydney
31 August 2010

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Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

For the year ended 30 June 2010

Given the size, nature, complexity and ownership structure of Powerlan, the Board is working towards an appropriate level of compliance with all of the revised Principles, as outlined in this Statement.

Principle 1 – Lay Solid Foundations for Management and Oversight

The directors have a responsibility for the overall corporate governance of Powerlan and its business units and for protecting the rights and interests of the shareholders.

Primary responsibilities of the Board include:

- the establishment of long-term goals and strategic plans for the Group and individual business units to achieve those goals;
- the review and adoption of annual budgets for the financial performance of the Group and monitoring of the results against those budgets;
- the approval of the annual and half-yearly financial statements; and
- ensuring the Group has adequate internal control procedures together with appropriate monitoring of compliance activities.

The performance of senior executives is evaluated annually and submitted to the Remuneration Committee for review of performance against agreed KPIs. This process was conducted during the current reporting period.

Principle 2 – Structure the Board to Add Value

The composition of the Board is determined using the following guidelines:

- the Board should comprise between three and twelve directors, with a majority being non-executive members; and
- the Chairman of the Board should be an independent non-executive director.

Powerlan complies with this Principle except for:

- the Chairman of the Board is not independent;
- the Board needs to establish a nomination committee or to define the nomination function as one which is part of normal Board business; and
- disclosure of the process for evaluation of the Board, Committees and individual directors.

The size and nature of the business, plus the ownership structure, do not justify complete compliance with this Principle.

Principle 3 – Promote Ethical and Responsible Decision Making

All directors and officers of Powerlan are required to discharge their responsibilities ethically and with integrity. The Group's code of conduct requires:

- conflicts of interest to be disclosed to the Board at the earliest possible opportunity;
- directors and executives to act in the best interests of the Group;
- that all Group information be deemed confidential;
- the Group to comply with all relevant laws and legislation;
- Group assets to be only used for legitimate business purposes; and
- unlawful and unethical behaviour to be reported to the Board, in confidence.

Powerlan has a policy in place which defines permitted trading windows for directors, executives or their related entities in Powerlan securities. A summary of the Code of Conduct and the Trading policy is disclosed on the Company's website.

Principle 4 – Safeguard Integrity in Financial Reporting

The Chief Executive Officer and Chief Financial Officer provide the Board with annual written confirmation that the Group's financial statements present a true and fair view of the Group's financial condition and operational results and are in accordance with relevant accounting standards.

The Board comprises a majority of independent non-executive directors. An Audit Committee reviewed and provided a recommendation to the Board on the annual financial statements.

The responsibilities of the Audit Committee include:

- overseeing the existence and maintenance of internal controls and accounting systems;
- providing assurance regarding the quality and reliability of financial information prepared for use by the Board;

For the year ended 30 June 2010

Principle 4 – Safeguard Integrity in Financial Reporting (cont'd)

- to provide a recommendation to the Board on the annual and half yearly financial statements;
- defining appropriate accounting policies; and
- nominating external auditors and review external audit arrangements;

Powerlan complies with this Principle, except that a formal Charter for the Audit Committee is in the process of being formally adopted, but is not yet in place.

Principle 5 – Make Timely and Balanced Disclosure

The Company Secretary is the nominated ASX Communication Officer and is responsible for discharging the Company's continuous disclosure obligations in accordance with ASX Listing Rules and managing the disclosure of information to the ASX, analysts, brokers, shareholders, the media and the public.

The Board is responsible for ASX compliance and review disclosure at each Board meeting.

Powerlan complies with the disclosure requirements of this Principle, except that a formal policy on continuous disclosure is not in place due to the size and complexity of the Group's business. Also, the requirement to disclose a summary of the Group's policies and procedures on the Powerlan website is in progress but not yet completed.

Principle 6 – Respect the Rights of Shareholders

The Group respects the rights of shareholders and provides information through:

- the Annual Report being made available to all shareholders through the Company website or through specific distribution, if requested;
- the half yearly financial statements;
- Investor information provided on the Company's website;
- Group announcements made to the ASX;
- questions raised by shareholders are addressed by the Chief Executive Officer; and
- other correspondence regarding matters impacting shareholders as required.

Powerlan complies with this Principle.

Principle 7 – Recognise and Manage Risk

The Board intends to fully comply with this Principle as it acknowledges the importance of sound risk management systems and effective internal controls. The Board is committed to identifying, quantifying and managing risk.

Directors receive regular reports from management on areas of material financial and non-financial business risk and on the management of those risks. This reporting process has been in place throughout the reporting period. A formal risk management policy that describes the risk management framework and key risk management processes is also currently being developed.

The Board has received formal assurance from the Chief Executive Officer and Chief Financial Officer in relation to financial reporting risks during the approval process for this Annual Report.

Principle 8 – Remunerate Fairly and Responsibly

The Board has established a Remuneration Committee charged with reviewing the remuneration levels of directors and executives. A formal charter for this committee is under development. There are no schemes in place for non-executive directors as described in recommendation 8.2.

The Board intends to have summaries of key Group policies published on the Company's web site as soon as practically possible.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Powerlan Limited

For the year ended 30 June	Note	2010 $'000	2009 $'000
Revenue	2a	27,313	38,616
Other income	2b	1,140	633
Expenses, excluding finance costs and impairment	3(a)	(39,565)	(44,503)
Impairment of intangible assets/write down of investments	3(b), 9	-	(5,438)
Finance costs	3(c)	(1,632)	(766)
Loss from continuing operations before income tax		**(12,744)**	**(11,458)**
Income tax expense	4(d), 10	(763)	(172)
Loss from continuing operations after income tax expense		**(13,507)**	**(11,630)**
Loss from discontinued operations	5	(749)	(823)
Loss for the year		**(14,256)**	**(12,453)**
Other comprehensive income/(expense)			
Adjustments from translation of foreign controlled entities		(515)	151
Other comprehensive income/(expense) for the period, net of tax		**(515)**	**151**
Total comprehensive expense for the year		**(14,771)**	**(12,302)**
Loss attributable to:			
Minority interest		(316)	(646)
Members of the parent entity		(13,940)	(11,807)
Loss for the year		**(14,256)**	**(12,453)**
		Cents	Cents
Total Operations			
Basic and diluted earnings per share	21	(6.85)	(14.31)
Continuing Operations			
Basic and diluted earnings per share	21	(6.48)	(13.31)
Discontinued Operations			
Basic and diluted earnings per share	21	(0.37)	(1.00)
Dividends per Ordinary Share	17	–	–

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Powerlan Limited

As at 30 June	Note	2010 $'000	2009 $'000
Current Assets			
Cash and cash equivalents	28(a)	5,458	2,228
Trade and other receivables	6	7,682	7,285
Inventories	7	5,995	9,899
Total Current Assets		**19,135**	**19,412**
Non-Current Assets			
Plant & equipment	8	442	669
Intangible assets	9	14,457	14,665
Deferred tax assets	10	384	944
Total Non-Current Assets		**15,283**	**16,278**
Total Assets		**34,418**	**35,690**
Current Liabilities			
Trade and other payables	11	15,018	11,178
Short term provisions	12	1,645	1,552
Deferred tax liability	10	–	48
Borrowings	13	–	10,502
Other financial liabilities	14	4,353	4,404
Total Current Liabilities		**21,016**	**27,684**
Non-Current Liabilities			
Trade and other payables	11	46	4,799
Long term provisions	12	360	352
Borrowings	13	11,065	-
Total Non-Current Liabilities		**11,471**	**5,151**
Total Liabilities		**32,487**	**32,835**
Net Assets		**1,931**	**2,855**
Equity			
Issued capital	15	164,302	148,935
Reserves		(958)	1,077
Minority Interest		-	316
Accumulated losses		(161,413)	(147,473)
Total Equity		**1,931**	**2,855**

The consolidated statement of financial position is to be read in conjunction with the accompanying notes..

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Powerlan Limited

Attributable to equity holders of the consolidated entity	Issued Capital $'000	Foreign Currency Reserve $'000	Other Reserve $'000	Minority Interest $'000	Accumulated Losses $'000	Total $'000
Balance at 1 July 2008	**148,935**	**926**	**-**	**-**	**(135,666)**	**14,195**
Loss attributable to members of the consolidated entity	-	-	-	(646)	(11,807)	(12,453)
Adjustments from translation of foreign controlled entities	-	151	-	-	-	151
Total comprehensive income/ (expense) recognised for the period	**-**	**151**	**-**	**(646)**	**(11,807)**	**(12,302)**
Minority Interest on acquisition	-	-	-	962	-	962
Balance at 30 June 2009	**148,935**	**1,077**	**-**	**316**	**(147,473)**	**2,855**
Balance at 1 July 2009	**148,935**	**1,077**	**-**	**316**	**(147,473)**	**2,855**
Loss attributable to members of the consolidated entity	-	-	-	(316)	(13,940)	(14,256)
Adjustments from translation of foreign controlled entities	-	372	-	-	-	372
Reclassification adjustments – transferred to profit or loss	-	(887)	-	-	-	(887)
Total comprehensive income/ (expense) for the year	**-**	**(515)**	**-**	**(316)**	**(13,940)**	**(14,771)**
Shares issued during the year	15,367	-	-	-	-	15,367
Equity transaction on acquisition of remaining interest in subsidiary	-	-	(1,520)	-	-	(1,520)
Balance at 30 June 2010	**164,302**	**562**	**(1,520)**	**-**	**(161,413)**	**1,931**

This consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

Powerlan Limited

For the year ended 30 June	Note	2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers		29,548	34,214
Payments to suppliers and employees		(38,591)	(43,669)
Interest received		45	33
Finance costs		(349)	(15)
Net cash used in operating activities	**28(b)**	**(9,347)**	**(9,437)**
Cash flows from investing activities			
Purchase of property, plant & equipment	8	(244)	(331)
Payment for subsidiary and business, net of cash acquired	23	(1,520)	(1,007)
Proceeds from sale of shares, net of expenses		-	1,249
Net cash used in investing activities		**(1,764)**	**(89)**
Cash flows from financing activities			
Proceeds from issue of shares, net of expenses	15	15,367	-
Loan proceeds from related parties	20, 24	8,290	13,500
Loan repaid to related parties	20, 24	(9,000)	(3,750)
Minority interest contribution		(316)	316
Net cash provided by financing activities		**14,341**	**10,066**
Net increase in cash and cash equivalents		**3,230**	**540**
Cash and cash equivalents at the beginning of the year		2,228	1,688
Cash and cash equivalents at the end of the year		**5,458**	**2,228**

This consolidated cash flow statement is to be read in conjunction with the accompanying notes.

For the year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies

a) Introduction

The financial statements cover the consolidated entity of Powerlan Limited and controlled entities (the "Group"). Powerlan is a listed public company incorporated and domiciled in Australia.

Operations and principal activities

The principal activities of the Group during the financial year were the provision of software solutions and related services that enable customers to achieve productivity gains by leveraging the Group's unique intellectual property. These activities were delivered through three operating divisions:

- Clarity – provides proven, pre-integrated solutions that are used by service providers to roll-out and manage networks, develop and sell market leading products, fulfill customer orders, and assure the quality of customer services for multi-vendor, multi-service networks. .
- ConverterTechnology – delivers software and services that simplify enterprise file and application migrations and reduce the risks associated with large-scale IT deployment projects, particularly in the Microsoft environment.
- IMX Software – offers software solutions for the travel money, foreign exchange and the international banking industries.

Scope of financial statements

The financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and interpretations, adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements of Powerlan Limited and controlled entities, comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety ensuring that the financial statements and notes also comply with International Financial Reporting Standards.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Currency

The financial statements are presented in Australian currency and rounded to the nearest thousand dollars unless otherwise stated. This is Powerlan's functional and presentation currency.

Reporting period

The financial statements are presented for the year ended 30 June 2010. The comparative reporting period is for the year ended 30 June 2009.

Registered office

Level 3, 15 Blue Street
North Sydney NSW 2060

Authorisation of financial statements

The financial statements were authorised for issue on the 31 August 2010 by the Directors. The company has the power to amend the financial statements.

The following is a summary of the material accounting policies adopted by the Group and Powerlan in the preparation of the financial statements. These accounting policies have been consistently applied, unless otherwise stated.

The principal accounting policies adopted by the Group, comprising of the parent entity Powerlan and its controlled entities, are stated in order to assist in the general understanding of the financial statements.

b) Dependence on funding from CPS

The Company is dependent on a credit facility from CPS, which owns 47.63% of the share capital in Powerlan. Details of the funding facility can be found in Note 24. Notwithstanding the current and prior period losses and negative operating cash flows, Dr Ian Campbell, the Chairman of the Group and Chairman of CPS, has agreed to provide continued financial support. He has also advised that he will not require repayment of any of the outstanding debt until at least than 31 August 2011. The directors are confident that the Company will achieve improved operating performance and cash flows in each of the business units over the period to 31 August 2011.

After taking into account all of the available information, including the following factors:

- continued financial support from the Chairman of the Group and CPS;
- the pipelines in each of the divisions and anticipated improved operational performance; and
- ongoing prudent cost management being undertaken across the Group.

The directors have concluded that there are reasonable grounds to believe that the basis for the preparation of the financial statements on a going concern basis is appropriate.

c) Accounting Standards Not Previously Applied

The Consolidated entity has adopted the following new and revised Australian Accounting Standards issued by the AASB, which are mandatory to apply to the current year. Disclosures required by these standards that are deemed material have been included in this financial report on the basis that they represent a significant change in the information that was previously made available:

i) Presentation of Financial Statements

AASB 101 Presentation of Financial Statements prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

For the year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (cont'd)

c) Accounting Standards Not Previously Applied (cont'd)

- The replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- The adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- Other financial statements are renamed in accordance with the standard.

ii) Segment Reporting

AASB 8 Operating Segments requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change to the reporting segments as operating segments which are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Refer to note 19.

d) Significant Judgement and Key Assumptions

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The following key assumptions have been made concerning the future and the other key sources of estimation uncertainty at the balance date:

Key estimates – impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets in accordance with note 1(o). Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates which are outlined in note 9.

Should the actual results differ significantly from the estimated results incorporated in value-in-use calculations then an impairment loss may occur.

Key judgements –provision for impairment of receivables

The directors believe that a provision for impairment of receivables of $1,011,058 is required to cover the amounts receivable from customers as at 30 June 2010.

Key judgements – Accrued revenue

Accrued revenue represents earned revenue which has been calculated on a percentage of completion basis and which has not yet been invoiced. The calculation of revenue recognised on a percentage of completion basis over the period of installation, implementation and provision of services requires accurate forecasts of costs to completion which are generally difficult to ascertain and are therefore subject to judgement.

e) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the Group. A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets comprise of trade and other receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortised cost using the effective interest method.

Investments in subsidiaries not included in the above categories are reflected at cost less any impairment of value.

Financial liabilities comprising trade and other payables, provisions and other borrowings are measured at amortised cost using the effective interest method. Trade accounts payable represent the principal amounts outstanding at the balance date plus, where applicable, any accrued interest.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or inability to collect.

f) Consolidation Policy

The operating results of controlled entities are included from the date control is obtained and until the date control ceases. The effects of all transactions, including any unrealised profit or losses, between entities in the Group have been eliminated on consolidation. Details of controlled entities are contained in Note 18 to the financial statements. Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial statements.

The consolidated financial statements comprise the accounts of Powerlan and all of its controlled entities. Control exists where Powerlan has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Powerlan to achieve the objectives of Powerlan.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

For the year ended 30 June 2010

g) Revenue Recognition

Revenue represents the fair value of the consideration received or receivable from clients for goods and services provided by the Group, net of discounts and taxes.

Sale of goods including license fees

Revenue from the sale of goods is recognised when a signed contract exists, delivery to a customer has occurred with no significant vendor obligations remaining and where the collection of the resulting receivable is considered probable.

Delivery of software in conjunction with services to be rendered is recognised on percentage of completion basis measured at cost plus profit recognised to date less provision for foreseeable losses. Where losses are anticipated they are provided for in full.

Revenue from rendering of services

Revenue received in relation to maintenance contracts is initially credited to unearned revenue and is then recognised on a straight line basis over the period of the contract.

Work in progress in relation to services rendered is recognised on the percentage of completion basis measured at cost plus profit recognised to date less provision for foreseeable losses. Where losses are anticipated they are provided for in full.

Interest revenue

Interest revenue is recognised using the effective yield basis.

Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all conditions.

Dividend revenue

Dividend revenue is recognised upon receipt of the dividend.

h) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised on a straight-line basis over their estimated useful life of the asset where it is likely that the Group will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefits are diminished.

Lease incentives under operating leases will be recognised as liabilities. The incentives are recognised as a reduction of expenses on a straight line basis unless another systematic basis is more representative of the time pattern in which benefits are diminished.

i) 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 a future taxable profit will be available to realise the asset; and
- 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.

Tax consolidation

Powerlan and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Powerlan, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts and in addition to its own amounts also recognise the deferred tax assets arising from unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amount assumed and the amounts receivable or payable under the tax funding agreement are recognised as a contribution to or distribution from the wholly owned tax consolidated entities.

j) Inventories

Work in progress is recognised on the percentage of completion basis measured at cost plus profit recognised to date less provision for foreseeable losses. Where losses are anticipated they are provided for in full.

k) Receivables

Trade accounts receivables and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, provision for doubtful accounts.

For the year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (cont'd)

l) Borrowings

Loans and borrowings are recognised in the financial statements on the basis of the nominal amounts at the balance date plus accrued interest. Borrowing costs are recognised as an expense in the financial statements in the period in which they are incurred.

m) Plant & Equipment

Plant and equipment are stated at cost.

All items of plant and equipment are depreciated at the following rates using the straight line method.

- plant and equipment at between 20% and 40%;
- furniture and fittings at 13%; and
- leasehold improvements, over the period of the lease.

On disposal of an item of plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss on disposal.

An asset's carrying amount is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

n) Intangibles

Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is recognised as an asset and not amortised, but tested for impairment at the reporting date. Wherever there is an indication that the goodwill may be impaired, the impairment is recognised in the statement of comprehensive income. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Research & Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

o) Impairment of Assets

At each reporting date, Management reviews the carrying values of its intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and its value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

Impairment testing is performed at the reporting date for intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

p) Contingent Liabilities

A contingent loss is recognised as an expense and a liability if it is probable that future events will confirm that, after taking into account any related probable recovery, an asset has been impaired or a liability incurred and, a reasonable estimate of the amount of the resulting loss can be made.

q) Short-term Employee Benefits

Short term employee benefits are employee benefits (other than termination benefits and equity compensation benefits) which fall due within 12 months after the end of the year in which employee services are rendered. They comprise wages, salaries, social security obligations, short-term compensation absences, profit sharing and bonuses payable within 12 months and non-mandatory benefits such as medical care, housing, car and service goods.

The provision for employee benefits to wages, salaries and annual leave represents the amount that the Group has a present obligation to pay resulting from employee services provided up to the reporting date. The provision has been calculated after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures and includes related on-costs.

The undiscounted amount of short-term benefits expected to be paid is recognised as an expense.

r) Long-term Employee Benefits

Long-term employee benefits include long-service leave, long-term disability benefits, deferred compensation and profit sharing and bonuses payable 12 months or more after the end of the year in which employee services are rendered.

These benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees to reporting date. These cash flows are discounted using market yields on national government bonds with terms to maturity that match expected timings of cash flows.

s) Events after the Reporting Date

Assets and liabilities are adjusted for events occurring after the reporting date that provide evidence of conditions existing at the balance date. Important events after the reporting date which do not meet these criteria are disclosed in Note 26.

For the year ended 30 June 2010

t) Cash and cash equivalents

Cash and cash equivalents comprise:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts;
- investments in money market instruments maturing within three months; and
- cash in transit.

u) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority, then it is recognised as part of the cost of acquisition of an asset or part of an item of expense. Receivables and payables are recognised inclusive of GST.

v) Foreign Currency Transactions, Balances and translations

Foreign currency transactions occurring during the year are converted to Australian currency using the spot rate at the date of the transactions. Foreign currency monetary items outstanding at the reporting date are translated at the spot rate at the reporting date. Exchange differences are recognised as revenues or expenses in the statement of comprehensive income in the period in which exchange rates change, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Transaction differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss and are included in the fair value reserve in equity.

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions) and
- all resulting exchange differences are recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

w) Superannuation

Contributions are made by the Group to employee superannuation funds which provide accumulated benefits to employees. Contributions are paid monthly and charged as an expense when incurred.

x) Adoption of new and revised accounting standards

The following Australian Accounting Standards have been issued or amended and are applicable to the Group but are not yet effective (this list is not complete, but represents the standards that apply to the Group). They have not been adopted in preparation of the financial statements at the reporting date.

i. AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

   AASB 2009-8 clarifies the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments. The consolidated entity will apply the amended standard retrospectively for the financial reporting period commencing on 1 July 2010. The consolidated entity is yet to assess any potential impact on the financial statements.

ii. AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

   The amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments. The consolidated entity will apply the amended standard from 1 July 2010. The consolidated entity is yet to assess any potential impact on the financial statements.

For the year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (cont'd)

x) Adoption of new and revised accounting standards (cont'd)

iii. AASB 9 Financial instruments and AASB 2009-11Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The IASB plans to complete its work on financial liabilities during 2010 and will issue requirements for financial liabilities that will be included in AASB 9 in due course.

The consolidated entity intends to apply the new standard from 1 July 2013. The consolidated entity is yet to assess any potential impact on the financial statements.

iv. AASB 124 Related Party Disclosures (effective from 1 January 2011)

Simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition of a related party. The consolidated entity intends to apply the new standard from 1 July 2011. The consolidated entity is yet to assess any potential impact on the financial statements.

y) Comparative Figures

Where required by accounting standards, the reclassification of comparatives has been performed in order to conform to the changes in presentation for the current financial year.

z) Rounding of Amounts

Powerlan has applied the relief available under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest $1,000.00.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June	Note	2010 $'000	2009 $'000
Note 2: Revenue			
(a) Revenue			
Sale of goods		8,776	15,404
Services revenue		18,537	23,212
Total sales revenue		**27,313**	**38,616**
(b) Other income			
Interest received		45	33
Realised foreign currency gain		852	361
Write back of liabilities no longer required		–	169
Export market grants	2(c)	211	–
Other		32	70
Total other income		**1,140**	**633**

(c) Government grants

Export market development grants of $ 211,097 (2009: $nil) were recognised as other income by the Group during the financial year. There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

For the year ended 30 June	Note	2010 $'000	2009 $'000
Note 3: Loss from continuing operations			
Loss from continuing operations includes:			
(a) Expenses, excluding finance costs			
Employee benefit expenses		24,323	24,184
Cost of sales		4,336	10,647
Travel expenses		2,690	2,671
Operating lease – minimum lease payments		1,604	1,691
Marketing and promotion		1,244	1,250
Professional fees		1,145	898
Bad debts written off		907	–
Communication expenses		742	742
Unrealised foreign exchange loss		597	341
Depreciation of plant & equipment		440	521
Provision for doubtful debts		210	–
Amortisation of contracts acquired		208	490
Other expenses		1,119	1,068
Total expenses, excluding finance costs and impairment		**39,565**	**44,503**
(b) Impairment of assets			
Impairment of goodwill	9	–	5,438
(c) Finance costs			
Finance cost includes:			
– other persons		22	15
– director related		1,610	751
Total finance costs		**1,632**	**766**
(d) Individual (revenues)/expenses included in loss from continuing operations before income tax expense include:			
Changes of provisions for:			
– impairment of receivables		577	(813)
– employee benefits		(186)	(292)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June	Note	2010 $'000	2009 $'000
Note 3: Loss from continuing operations (cont'd)			
(e) net loss on disposal of plant & equipment		–	(3)
(f) Auditor's remuneration			
Remuneration of the auditor of the parent entity for:		$	$
– audit and review of the financial statements		191,076	243,262
– tax compliance & other services		197,973	132,001

For the year ended 30 June	Note	2010 $'000	2009 $'000
Note 4: Income tax			
(a) Income tax expense			
Income tax expense comprises:		–	–
Foreign tax credits written off		(763)	(172)
(b) Prima facie tax expense/(benefit) calculated at 30% (2009: 30%) on the loss from continuing operations			
Tax at 30% (2009:30%)		(4,168)	(3,542)
Add/(deduct) tax effect of :			
– non-allowable items		368	421
– net temporary differences reversed		1,351	(1,849)
– benefit of tax losses not recognised		(5,887)	(2,114)
Income tax (benefit)/expense attributable to loss from continuing operations		**–**	**–**
(c) Unrecognised temporary differences			
Deferred tax assets not brought to account, the benefits of which will only be recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.			
Net temporary differences		287	236
(d) Deferred tax – foreign tax credits			
Foreign tax credits written off	10	763	172

For the year ended 30 June	Note	2010 $'000	2009 $'000
Note 5: Discontinued operations			
Discontinued operations represents companies which are in the process of being closed down and do not conduct any business.			
(a) Financial performance			
Expenses, excluding finance costs			
Lease rental expenses		4	5
Professional fees		16	53
Other expenses		3	4
Total expenses, excluding finance costs		**23**	**62**
Finance costs			
Finance costs expense			
– other persons		726	761
Total finance costs		**726**	**761**
Loss from discontinued operations		**(749)**	**(823)**

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Powerlan Limited

For the year ended 30 June	Note	2010 $'000	2009 $'000
Note 5: Discontinued operations (cont'd)			
Income tax expense/benefit		–	–
Loss after income tax from discontinued operations		**(749)**	**(823)**
(b) Cash flow information			
The net cash flows of the discontinued operations which have been incorporated into the cash flow statement are as follows:			
Net cash outflow from operating activities		(292)	(1,072)
Net cash inflow from financing activities		289	1,069
Net cash used in discontinued operations		**(3)**	**(3)**
(c) Carrying amounts of assets and liabilities			
Fair value of assets and liabilities of discontinued operations			
Cash and cash equivalents		8	11
Total assets		**8**	**11**
Trade and other payables		5,773	6,042
Total liabilities		**5,773**	**6,042**
Net liabilities		**(5,765)**	**(6,031)**

As at 30 June	Note	2010 $'000	2009 $'000
Note 6: Trade and other receivables			
Current			
Trade receivables		7,863	7,640
Provision for impairment of receivables		(1,011)	(1,588)
Prepayments		438	545
Deposits		35	322
Other		357	366
Total current trade and other receivables		**7,682**	**7,285**
Fair Values			
The carrying amount of trade and other receivables approximate fair value.			
Effective Interest Rates and Credit Risks			
Information concerning the effective interest rate and credit risk of both trade and other receivables is set out in Note 22.			
The ageing of trade receivables is detailed below:		Gross	Provision
Not past due		1,153	–
Past due 0 – 30 days		585	–
Past due 31 – 60 days		399	–
Past due 61 – 90 days		2,224	–
Past due 91 days		3,502	1,011
Total receivables		**7,863**	**1,011**

Current trade receivables are generally on 45-day terms. However, considering the nature of the business and the markets in which the Group operates, average collection is close to 90 days. All receivable past due unless provided for are considered recoverable.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Powerlan Limited

As at 30 June	Note	2010 $'000	2009 $'000
Note 6: Trade and other receivables (cont'd)			
The movement in the provision for impairment of receivables in respect of trade receivables is detailed below:			
Opening balance		1,588	775
Additional provisions		210	634
Addition on acquisition		–	261
Amounts used		(745)	(124)
Foreign currency exchange differences		(42)	42
Closing balance		**1,011**	**1,588**

As at 30 June	Note	2010 $'000	2009 $'000
Note 7: Inventories			
Work in progress – at cost		5,995	9,899
Total inventories		**5,995**	**9,899**

As at 30 June	Note	2010 $'000	2009 $'000
Note 8: Plant & Equipment			
Plant & equipment – at cost		2,167	5,190
Less: accumulated depreciation		(1,766)	(4,545)
		401	**645**
Leasehold improvements – at cost		208	594
Less: accumulated depreciation		(188)	(580)
		20	**14**
Furniture & fittings – at cost		136	816
Less: accumulated depreciation		(115)	(806)
		21	**10**
Total plant & equipment		**442**	**669**

Movements in Carrying Amounts	Plant & Equipment $'000	Leasehold Improv. $'000	Furniture & Fittings $'000	Total $'000
Balance at begining of year	**645**	**14**	**10**	**669**
Additions	208	20	16	244
Disposals	(31)	–	–	(31)
Depreciation expense	(421)	(14)	(5)	(440)
Balance at end of year	**401**	**20**	**21**	**442**

As at 30 June	Note	2010 $'000	2009 $'000
Note 9: Intangible Assets			
Goodwill		14,457	14,457
Value of contracts on acquisition of Omnix and Viper		–	208
Net carrying value of goodwill		**14,457**	**14,665**
Reconciliation of carrying amount of intangibles:			
Balance at beginning of year		14,665	18,939
Additions		–	1,654
Impairment		–	(5,438)
Amortisation recognised in income statement		(208)	(490)
Balance at end of year		**14,457**	**14,665**
Goodwill is allocated to cash generating units which are based on the Group's reporting segments.			
Clarity		14,457	13,501
Omnix Holdings		–	943
Viper intellectual property		–	221
Total goodwill		**14,457**	**14,665**

The recoverable amount of each cash generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of management and board approved cash flow projections over a 4-year period and by using a terminal value at the end of the 4-year period. The cash flows are discounted using an industry appropriate Weighted Average Cost of Capital ("WACC") at the beginning of the budget period.

The company merged the intellectual property of the Omnix and Viper businesses with Clarity during the year and now considers these divisions as one cash generating unit ("CGU"). The goodwill allocated to these divisions has been merged into Clarity.

A summary of key assumptions used in the carrying value of each CGU :

As at 30 June	Growth rates %		Discount rates %		Terminal value growth rates %	
	2010	2009	2010	2009	2010	2009
Clarity	66.2	8.4	23.0	23.0	2.5	2.5

The carrying value of goodwill is most sensitive to the following assumptions and the potential impact has been determined when both sensitivities are applied simultaneously:

	Discount rates %	Terminal value growth rates %	$'000
Low	+1.5	-0.5	(2,364)
High	-1.5	+0.5	2,905

The value-in-use calculations are based on budgets prepared for each CGU. These budgets use a combination of current sales pipeline, historical weighted average and industry growth rates to project revenues. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the periods which are consistent with the inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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As at 30 June	Note	2010 $'000	2009 $'000
Note 10: Deferred Tax Assets/Liabilities			
Deferred tax assets			
Withholding tax credits		384	944
Total deferred tax assets		**384**	**944**
Deferred tax liabilities			
Omnix contracts		–	48
Total deferred tax liabilities		**–**	**48**

The movement in deferred tax assets during the year is the net of withholding tax credits received, less withholding tax credits written off and is debited to tax expense in the statement of comprehensive income.

A deferred tax liability of $nil (2009: $0.19 million) is recognised during the year on acquisition of Omnix Holdings Limited and an amount of $0.05 million (2009: 0.14 million) has been credited to tax expense in the statement of comprehensive income on account of intangibles amortised during the year. Refer note 23.

As at 30 June	Note	2010 $'000	2009 $'000
Note 11: Trade and Other Payables			
Current			
Trade payables		3,007	2,452
Accruals		5,152	6,694
Other payables		6,859	2,032
Total current trade and other payables		**15,018**	**11,178**
Non-Current			
Other payables		46	4,799
Total non-current trade and other payables		**46**	**4,799**

ATO Debt

Included in other payables (current) is an amount outstanding to the Australian Tax Office ("ATO") of $5.5 million (including principal and interest) for a tax liability incurred in financial years 2002 and 2003. On 13 April 2007, the ATO confirmed an arrangement allowing the Group to settle this debt in full through the payment of 48 monthly installments of $87,523 with the final installment in May 2011. Accordingly the entire outstanding has been classified as current. To date the Group has made payments of $3.3 million to the ATO under the terms of the arrangement.

As at 30 June	Note	2010 $'000	2009 $'000
Note 12: Provisions			
Current			
Employee benefits		1,630	1,452
Other provisions		15	100
Total current provisions		**1,645**	**1,552**
Non-Current			
Employee benefit		360	352
Total non-current provisions		**360**	**352**
Total provisions		**2,005**	**1,904**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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As at 30 June	Note	2010 $'000	2009 $'000
Note 12: Provisions (contÕd)			
(a) Number of employees at year end		No	No
Number of employees		188	180
(b) Reconciliation of carrying amounts of employee beneÞ ts			
Balance at beginning of year		1,804	1,512
Additional provisions		717	1,102
Charges against the provisions		(507)	(838)
Unused amounts reversed		(5)	(7)
Net foreign currency exchange movement		(19)	35
Balance at end of year		1,990	1,804

(c) Provision for Employee beneÞ ts
A provision has been recognised for employee bene ts relating to annual and long service leave. In calculating the present value of future cash ows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee bene ts have been included in note 1(q) and note 1(r) of the nancial statements.

As at 30 June	Note	2010 $'000	2009 $'000
Note 13: Borrowings			
Current			
Interest bearing liabilities – related parties	20 & 24	–	10,502
Total current borrowings		Ð	10,502
Non-Current			
Interest bearing liabilities – related parties	20 & 24	11,065	–
Total non-current borrowings		11,065	Ð

Pursuant to a Loan Note Subscription Agreement dated 10 May 2005 ("Loan Agreement"), CPS agreed to subscribe for and pay the Issue Price (as de ned in the Loan Agreement) to the Company for a Note (as de ned in the Loan Agreement) that the Company agreed to allot and issue to CPS on the terms set out in the Loan Agreement. The Note was secured by a xed and oating charge, established on 11 May 2005, refer Note 24. The Company has a facility of $12 million.

The balance outstanding to CPS Investments under the Loan Note at the 30 June 2010 was $11.1 million of which $9.0 million is principal (2009: $9.8 million). The Company has not borrowed any additional funds subsequent to the reporting date.

As at 30 June	Note	2010 $'000	2009 $'000
Note 14: Other Current Liabilities			
Unearned revenue		4,353	4,404
Total unearned revenue		4,353	4,404

Unearned revenue relates to invoices which are raised prior to services being delivered. This mainly relates to support and maintenance revenue which is usually invoiced quarterly or annually in advance. Unearned revenue is brought to income on a monthly basis and when the services are provided.

As at 30 June	Note	2010 $'000	2009 $'000
Note 15: Issued Capital			
(a) Ordinary Shares			
348,744,251 (2009: 82,526,822) fully paid ordinary shares		164,302	148,935
(b) Movements during the year			
Balance at the beginning of the year 82,526,822 fully paid ordinary shares (2009: 82,526,822)		148,935	148,935
266,217,429 fully paid ordinary shares issued (2009: nil)		15,973	–
Cost of capital raising		(606)	–
Balance at the end of the year		**164,302**	**148,935**

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of the issued ordinary shares.

Ordinary shares participate in dividends and the proceeds on the winding up of Powerlan in proportion to the number of shares held. At shareholder 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.

Unmarketable Parcels
During the year, the company facilitated the sale of unmarketable parcels held by shareholders resulting in the number of shareholders reducing from 5,300 as on 30 June 2009 to 1,216 as on 30 June 2010.

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively monitors capital on the basis of a gearing ratio. This ratio is calculated as debt divided by total capital. Debt is calculated as total interest bearing financial liabilities. Total capital is calculated as equity as shown in the balance sheet plus debt. The Group's policy is to maintain a gearing ratio of less than 50%. The Group will explore options to reduce the gearing ratio.

The Group does not engage in any significant transactions that are speculative in nature.

The gearing ratio was as follows:

As at 30 June	Note	2010 $'000	2009 $'000
Gearing Ratio			
Debt		11,065	10,502
Equity		2,292	2,855
Total capital		**13,357**	**13,357**
Gearing ratio		83%	79%

For the ended 30 June	Note	2010 $'000	2009 $'000
Note 16: Capital and Leasing Commitments			
Operating lease commitments			
Non-cancelable operating leases contracted for but not capitalised in the financial statements:			
Not later than one year		477	156
Later than one year but not later than five years		1,360	–
Total operating lease commitments		**1,837**	**156**

Property leases are non-cancellable, with rent payable monthly in advance. Contingent rental provisions within lease agreements generally require that minimum lease payments are increased annually by CPI or a percentage factor.

For the year ended 30 June	Note	2010 $'000	2009 $'000
Note 17: Dividends			
Proposed ordinary dividends		–	–
Amount of retained profits and reserves at 30 June that could be distributed out of existing franking credits or from the payment of income tax in the following year		4,091	4,091
Balance at beginning of the year		**4,091**	**4,091**
Franking credits that will arise from the receipt of dividends recognised as receivable at the reporting date		–	–
Balance at the end of the year		**4,091**	**4,091**

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Powerlan Limited

For the year ended 30 June

Note 18: Controlled Entities Powerlan is the ultimate parent entity in the wholly owned group.	Country of Incorporation	Percentage of Shares Held	
		2010	2009
ACN: 056 159 963 Pty Limited (Subject to Deed of Company Arrangement in 2002)	Australia	100%	100%
Clarity Philippines Pty Limited	Australia	100%	100%
Clarity Taiwan Pty Limited (deregistered)	Australia	–	100%
Clarity Group Holdings Pty Limited	Australia	100%	100%
Clarity International Pty Limited	Australia	100%	100%
Clarity Technology Malaysia Sdn Bhd**	Malaysia	100%	100%
PT Clarity Systems Indonesia	Indonesia	100%	100%
Clarity Services Pty Limited	Australia	100%	100%
CG Philippines Inc	Philippines	100%	100%
Clarity OSS (Malaysia) Sdn Bhd	Malaysia	100%	–
Clarity OSS Limited	United Kingdom	100%	100%
Clarity OSS (Singapore) Pte Limited	Singapore	100%	100%
Andrew Software Solutions Pvt Limited	India	100%	100%
Commercial Software Limited **	Hong Kong	100%	100%
Commercial Software Services Technologies Limited **	Hong Kong	100%	100%
Commercial Software Services (Holdings) Limited **	Hong Kong	100%	100%
Powerlan (HK) Limited (deregistered)	Hong Kong	–	100%
IT & T Education Limited (deregistered)	Hong Kong	–	100%
Powerlan (HK/China) Limited (deregistered)	Hong Kong	–	100%
Powerlan (China) Limited (deregistered)	Hong Kong	–	100%
PWR Powerlan (Malaysia) Sdn Bhd **	Malaysia	100%	100%
Yong De Software Services (Beijing) Co. Limited (deregistered)	China	–	100%
ConverterTechnology Corporation Pty Limited (deregistered)	Australia	–	100%
Converter Technology, Inc	USA	100%	100%
Converter Technology Private Limited	United Kingdom	100%	100%
IMX Software Group Pty Limited	Australia	100%	100%
IMX Software UK Limited	United Kingdom	100%	100%
IT &T Careers (HK) Limited (deregistered)	Hong Kong	–	100%
No 4 Resources Pty Limited	Australia	100%	100%
Omnix Holdings Limited	United Kingdom	100%	51%
Omnix Software Limited	United Kingdom	100%	51%
Odyssey Software Limited	United Kingdom	100%	51%

** These companies are no longer trading and there is no intention that they will resume. As part of the ongoing restructuring of the Group a process has been initiated to liquidate these non-trading entities and further reduce Powerlan's future compliance costs.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
Powerlan Limited

Note 19: Segment Reporting For the year ended 30 June	Telecom Industry $'000	Financial Services $'000	Enterprise Manage-ment $'000	Other Segments $'000	Elimination $'000	Total $'000
2010						
Revenue	19,685	4,442	3,186	–	–	27,313
Other income	132	126	33	849	–	1,140
	19,817	**4,568**	**3,219**	**849**	–	**28,453**
Expenses, excluding finance costs and impairment	(28,131)	(8,207)	(4,401)	1,174	–	(39,565)
Finance costs	(3)	(2)	–	(1,627)	–	(1,632)
Profit/(loss) from continuing operations before income tax expense	**(8,317)**	**(3,641)**	**(1,182)**	**396**	–	**(12,744)**
Income tax expense	(233)	–	(22)	(508)	–	(763)
Loss from continuing operations after income tax expense	**(8,550)**	**(3,641)**	**(1,204)**	**(112)**	**–**	**(13,507)**
Loss from discontinued operations	–	–	–	(749)	–	(749)
Loss attributed to minority interest	316	–	–	–	–	316
Loss attributable to members of the parent entity	**(8,234)**	**(3,641)**	**(1,204)**	**(861)**	**–**	**(13,940)**
Total assets	17,215	1,117	1,140	15,763	(817)	34,418
Total liabilities	(18,134)	(4,789)	(9,941)	(13,914)	14,291	(32,487)
Net assets/(liabilities)	**(919)**	**(3,672)**	**(8,801)**	**1,849**	**13,474**	**1,931**
Other						
Acquisition of non-current assets	83	45	52	64	–	244
Depreciation	257	60	21	72	–	410
2009						
Revenue	30,340	5,041	3,235	–	–	38,616
Other income	420	237	2	182	(208)	633
	30,760	**5,278**	**3,237**	**182**	**(208)**	**39,249**
Expenses, excluding finance costs and impairment	(32,402)	(7,301)	(5,063)	462	(199)	(44,503)
Impairment of intangibles	–	(5,438)	–	–	–	(5,438)
Finance costs	(1)	–	–	(765)	–	(766)
Loss from continuing operations before income tax expense	**(1,643)**	**(7,461)**	**(1,826)**	**(122)**	**(407)**	**(11,458)**
Income tax expense	(267)	–	(25)	(15)	135	(172)
Loss from continuing operations after income tax expense	**(1,910)**	**(7,461)**	**(1,851)**	**(136)**	**(272)**	**(11,360)**
Loss from discontinued operations	–	–	–	(823)	–	(823)
Loss attributed to minority interest	646	–	–	–	–	646
Loss attributable to members of the parent entity	**(1,264)**	**(7,461)**	**(1,851)**	**(959)**	**(272)**	**(11,807)**
Total assets	17,701	1,390	1,071	14,696	832	35,690
Total liabilities	(19,761)	(1,602)	(9,125)	(17,895)	15,548	(32,835)
Net assets/(liabilities)	**(2,060)**	**(212)**	**(8,054)**	**(3,199)**	**16,380**	**2,855**
Other						
Acquisition of non-current assets	200	72	14	45	–	331
Depreciation	350	69	28	74	–	521

For the year ended 30 June

Note 19: Segment Reporting (cont'd)

The operating segments are based on the reports reviewed by the chief operating decision maker. The chief operating decision maker considers the business from the following business segments:

- Telecom Industry – consists of software and services provided to the telecom industry;
- Financial Services – consists of software and services provided to financial institutions; and
- Enterprise Management – consists of software and services provided to enterprises to manage IT migration projects.

Head Office and discontinued operations comprise of less than 10% of the combined revenue, assets or operating losses of the consolidated entity. As a result, these operations are included under "other segments".

For the year ended 30 June	Note	2010 $'000	2009 $'000
Note 20: Related Party Disclosure			
(a) Directors – related entities			
Secured borrowings ("Loan Note") provided by CPS (a company related to Powerlan's Chairman, Dr I Campbell) and secured by a Deed of Charge over the assets of certain entities controlled by Powerlan. The charge was established on 11 May 2005, Dr I Campbell became a director of Powerlan on 28 November 2005. Interest is payable at 12% per annum on the Loan Note.			
Monies received by Powerlan from CPS		8,290,000	13,500,000
Monies repaid by Powerlan to CPS		9,000,000	3,750,000
Monies owed by Powerlan to CPS		11,064,626	10,501,574
Interest paid/payable to CPS in relation to the loan in the year		1,610,295	756,102
Amount paid/payable to CPS in relation to services rendered		545,969	855,933
In Aug 2009, an amount was provided by CPS as a deposit to Westpac to secure a bank guarantee for the lease of office accommodation.		513,391	–
DMA Insurance Brokers Pty Ltd, a company related to Ian Lancaster, secured Directors and Officers insurance cover, electronics and information technology liability insurance and commercial general liability insurance for Powerlan during the year.			
Insurance charges were at arm's length and charged at commercial rates		214,450	200,276

The balance outstanding to CPS Investments under the Loan Note at the 30 June 2010 was $11.1 million (2009: $10.5 million) of which $9.0 million is principal (2009: $9.8 million). The Company has not borrowed any additional funds subsequent to the balance date.

(b) Key management personnel

The following were key management personnel of the Group throughout the reporting period, unless indicated otherwise:

Non-Executive directors
Dr I Campbell

Independent Non-executive directors
Mr G Harrington
Mr I Lancaster
Ms F McLeod

Executives
Mr J Newbery
Mr W Tickner – Appointed CEO of IMX Software during the year
Mr A Wrigglesworth – appointed as Chief Financial Officer on 8 March 2010
Mr R McWalter (resigned on 1 March 2010)
Ms M Woods (resigned 31 December 2008)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 30 June	Note	2010 $'000	2009 $'000
Note 20: Related Party Disclosure (cont'd)			
(c) Individual directors and executives compensation disclosures			
Non-executive directors			
Primary benefits		310,803	289,362
Post-employment benefits		60,628	133,258
Total non-executive directors		**371,431**	**422,620**
Executives			
Primary benefits		1,044,669	1,338,589
Post-employment benefits		14,461	34,065
Termination benefits		58,390	118,055
Total executives		**1,117,520**	**1,490,709**
Total		**1,488,951**	**1,913,329**

Information regarding individual directors' and executives' compensation is provided in the remuneration report included as part of the directors' report on pages 6 to 10.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no other material contracts involving directors' interests existing at year-end.

(d) Other transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

Powerlan provides general management, finance, human resources, information technology and administration services to all divisions. These services are recovered via a corporate overhead charge.

For the year ended 30 June	Note	2010	2009
Note 21: Earnings per Share			
Total Operations			
Net loss used in calculating basic and diluted earnings per share ($'000)		(13,940)	(11,807)
Weighted average number of ordinary shares outstanding during the year used in the calculation of earnings per share and diluted earnings per share (number):		203,588,243	82,526,822
Basic and diluted earnings per share (cents)		**(6.85)**	**(14.31)**
Continuing Operations			
Net loss used in calculating basic and diluted earnings per share ($'000)		(13,191)	(10,984)
Weighted average number of ordinary shares outstanding during the year used in the calculation of earnings per share and diluted earnings per share (number):		203,588,243	82,526,822
Basic and diluted earnings per share (cents)		**(6.48)**	**(13.31)**
Discontinued Operations			
Net loss used in calculating basic and diluted earnings per share ($'000)		(749)	(823)
Weighted average number of ordinary shares outstanding during the year used in the calculation of earnings per share and diluted earnings per share (number):		203,588,243	82,526,822
Basic and diluted earnings per share (cents)		**(0.37)**	**(1.00)**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
Powerlan Limited

For the year ended 30 June

Note 22: Financial Risk Management

The Group undertakes transactions in a range of financial instruments including:

- cash assets
- deposits
- bills of exchange
- receivables
- payables
- borrowings

These activities result in exposure to a number of financial risks, including market risk (comprising interest rate risk and foreign currency risks), credit risk, operational risk and liquidity risk.

The Group's overall risk management program seeks to mitigate these risks and reduce volatility of the Group's financial performance. Financial risk management is carried out by the Chief Financial Officer under policies approved by the Board of Directors.

When appropriate the Group seeks to enter into derivative transactions relating to forward foreign currency contracts in accordance with Board approved policies to manage exposure to foreign currency risk. These derivative instruments create an obligation or right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation.

(a) Financial assets and liabilities

The carrying amount of financial assets and financial liabilities approximate their fair value.

(b) Risks and mitigation

Market risk

Market risk is the risk that the fair value or future cash flows will fluctuate because of changes in market prices.

Components of market risk are:

i) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Group holds interest rate sensitive financial instruments in the form of loans from CPS and ATO debt (refer Notes 11, 13 & 24). The interest rates on deposits at bank are on floating rates referenced to the Reserve Bank of Australia's cash rate.

The interest rate exposure of the assets and liabilities of the consolidated entity are as follows:

As at 30 June		2010 Interest Rate Range				2009 Interest Rate Range			
		Amount	Avg	From	To	Amount	Avg	From	To
	Note	$'000	%	%	%	$'000	%	%	%
Financial assets:									
Cash and cash equivalents	28(a)	5,458	0.7	–	4.4	2,228	1.3	–	3.7
Trade and other receivables	6	7,647	–	–	–	6,963	–	–	–
Deposits	6	35	–	–	–	322	3.2	–	3.8
Total financial assets		**13,140**				**9,513**			
Financial liabilities									
Trade and other payables	11	15,064	4.1	–	11.1	15,977	3.6	–	10.2
Borrowings	13	11,065	12.0	12.0	12.0	10,502	12.0	12.0	12.0
Total financial liabilities		**26,129**				**26,479**			

The effective interest rate on the Group's net debt at 30 June 2010 was 7.4% (2009: 7.0%).

Sensitivity analysis

The table below shows the effect on profit/(loss) if interest rates had been 10 per cent higher or lower with all other variables held constant, taking into account all underlying exposures. Concurrent movements in interest rates and parallel shifts in the yield curves are assumed.

A sensitivity of 10 per cent has been selected as this is considered reasonable given the current level of both short-term and long-term Australian dollar interest rates. 10 per cent sensitivity provides a range in the interest rates at 30 June 2010 from around 6.7% to 8.1% representing a 74 basis point shift in each direction. This would represent about three rate movements, which is reasonably possible in the current economic environment.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June	Note	2010 $'000	2009 $'000
Note 22: Financial Risk Management (cont'd)			
Sensitivity analysis on finance costs and net profit of interest rate movements			
If interest rates were 10 % higher with all other variables held constant – increase/(decrease) in profit		(230)	(181)
If interest rates were 10% lower with all other variables held constant – increase/(decrease) in profit		230	181

Based on the sensitivity analysis, if interest rates were 10 per cent higher, finance costs would be impacted, being an increase in interest expense on the interest bearing net debt.

ii) Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency exchange rates. The Group's foreign currency exchange risk arises primarily from firm commitment or highly probable forecast transactions for receipts and payments settled in currencies other than Australian Dollars or with prices dependent on foreign currencies.

The Group is exposed to foreign exchange risk from various currency exposures, primarily with respect to:

Australian dollar
United States dollar
United Kingdom pound
Indian rupee
Euro
Indonesian rupiah
Philippine pesos
Singapore dollar
Malaysian ringgit
Hong Kong dollar

The foreign currency risk is assessed for each individual currency and for each hedge type, calculated by aggregating the net exposure and the cash flow for that currency.

The Group minimizes exposure to foreign currency risk by initially seeking contracts effectively denominated in Australian dollars where possible and economically favourable to do so. Where this is not possible the exposure is managed by monitoring expected movements in exchange rates and where possible seeking to hedge that exposure.

The Group plans to enter into forward foreign currency contracts and have approved limits with banks and traders to hedge foreign currency movements. The Group does not intend to trade in any other type of derivative instruments.

Foreign currency risk also arises on translation of the net assets of non-Australian controlled entities which have a different functional currency. The foreign currency gains or losses arising from this risk are recorded through the foreign currency reserve.

The tables below show the Group's foreign currency exposure:

Foreign currency exposure, trade receivables and payables by currency:

As at 30 June	Note	2010 $'000	2009 $'000
Trade receivables			
Australian dollar		1,382	2,388
United States dollar		5,596	4,544
United Kingdom pound		220	164
Euro		182	261
Others		483	283
Total	**6**	**7,863**	**7,640**
Trade payables			
Australian dollar		502	805
United States dollar		753	1,398
United Kingdom pound		576	173
Philippine Peso		854	–
Others		322	76
Total	**11**	**3,007**	**2,452**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
Powerlan Limited

For the year ended 30 June	Note	2010 $'000	2009 $'000
Note 22: Financial Risk Management (cont'd)			
Foreign currency exposure: revenues and expenses by currency:			
Revenue			
Australian dollar		1,597	6,147
United States dollar		13,159	24,355
United Kingdom pound		5,342	3,351
Philippine peso		1,593	3,781
Euro		4,199	967
Others		2,563	648
Total		**28,453**	**39,249**
Expenses			
Australian dollar		18,699	25,853
United States dollar		6,695	10,471
United Kingdom pound		9,162	7,874
Singapore dollar		909	1,359
Indonesian rupiah		1,537	872
Philippine peso		1,881	3,049
Euro		991	289
Malaysian Ringgit		835	–
Others		488	940
Total		**41,197**	**50,707**

Sensitivity analysis

The following table shows the effect on profit/(loss) as at the reporting date of a 10 per cent movement in exchange rates, on a total portfolio basis, with all other variables held constant, taking into account all underlying exposures.

An adverse movement in exchange rates implies an increase in the Group's foreign currency risk exposure and a worsening of the financial position. A favourable movement in exchange rates implies a reduction in the Group's foreign currency risk exposure and an improvement in the financial position.

A sensitivity of 10 per cent has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on an historical basis and market expectations for future movement. The Australian dollar exchange rate against the Unites States dollar at the reporting date was 0.85631 (2009: 0.80480). An adverse movement in the rate of 10 per cent would increase the rate to 0.94194 (2009: 0.88528) where as a favourable movement would decrease the rate to 0.77068 (2009: 0.72432). This range is considered reasonable for assessing the Group's exposure to foreign currency movements.

The Groups foreign currency risk exposure from recognised assets and liabilities arises primarily from trade receivables and payables denominated in foreign currencies.

Sensitivity analysis on net profit of foreign currency movement:

For the year ended 30 June	Note	2010 $'000	2009 $'000
If Australian dollar were 10 per cent stronger with all other variables held constant – increase/(decrease) in profit		(435)	(825)
If Australian dollar were 10 per cent weaker with all other variables held constant – increase/(decrease) in profit		435	825

For the Group the foreign currency translation risk associated with the foreign investments results in some volatility to the foreign currency translation reserve. The impact on the foreign currency translation reserve relates to translation of the net assets of foreign controlled entities.

For the year ended 30 June

Note 22: Financial Risk Management (cont'd)

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument and cause a financial loss to be incurred. The Group has exposure to credit risk on all financial assets included in the balance sheet except cash and cash equivalents. To help manage this risk:

- the Group has a policy for establishing credit limits for all counterparties; and
- the Group manages exposure to individual entities the Group transacts business with

Trade and other receivables consist of amounts due from a large number of customers spread across various business, governmental and geographically diverse sectors. The Group does not have any significant credit risk exposure to a single customer or groups of customers. Ongoing credit evaluation is performed on the financial condition of the Group's customers and if required, an allowance for doubtful debts is raised.

Liquidity risk

Liquidity risk includes the risk that as a result of our operational liquidity requirements:

- the Group will not have sufficient funds to settle a transaction on the due date;
- the Group will be forced to sell financial assets at a value which is less than their market value; or
- The Group may be unable to settle or recover a financial asset.

To help reduce these risks the Group:

- has a liquidity policy where funding requirements for the next twelve months are forecast on a weekly basis;
- has the continued financial support of the Chairman of the Company, including the line of credit provided by CPS (refer Note 24); and
- actively investigates other capital management initiatives, including rights issue during the year.

The table below analyses the Group's financial liabilities, by type, into their relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated	Note	<1 mth $'000	1 – 3 mths $'000	3 mths – 1 yr $'000	1 – 5 yrs $'000	Total $'000
2010 Financial Liabilities						
Trade and other payables	11	4,061	5,151	5,806	46	15,064
Borrowings	13	–	–	–	11,065	11,065
Total Financial Liabilities		**4,061**	**5,151**	**5,806**	**11,111**	**26,129**
2009 Financial Liabilities						
Trade and other payables	11	8,466	891	1,917	4,703	15,977
Borrowings	13	–	–	2,500	8,002	10,502
Total Financial Liabilities		**8,466**	**891**	**4,417**	**12,705**	**26,479**

Note 23: Acquisition of Omnix

On 22 August 2008, Powerlan acquired 51% of the issued share capital of Omnix Holdings Limited ("Omnix"), incorporated in the United Kingdom. Omnix is involved in development of a suite of products designed to help telecommunication service providers realise operational efficiency across the network lifecycle. Omnix is helping operators worldwide to deliver complex projects by offering specialist solutions that are complementary to, but not evident in, generic ERP and PPM systems.

The $1.5 million movement in the Other Reserves in the Consolidated Statement of Changes in Equity during the year is a consequence of the consolidated entity acquiring the 49% minority interest in Omnix Holdings Ltd ("Omnix") on 26 October 2009. In accordance with AASB127, Consolidated and Separate Financial Statements (operative from 1 July 2009), the consolidated entity retains control of Omnix and has therefore accounted for the increase in ownership from 51% to 100% as an equity transaction.

For the year ended 30 June

Note 24: Financing Arrangements

Pursuant to a Loan Agreement with CPS, the Company has a $12M line of credit. During the year ended 30 June 2010, the Company incurred interest charges on this facility at 12% per annum. The company may request further advances that will result in the aggregate draw down exceeding $12M. The balance outstanding to CPS Investments under the Loan Note at the 30 June 2010 was $11.1 million of which $9.0 million is principal (2009: $9.75 million). The Company has not borrowed any additional funds subsequent to the balance date.

Note 25: Contingent Liabilities

Certain contingent liabilities may exist in respect of warranties provided and understandings given in respect to the divestment of businesses. At the date of this report no claims are pending or have been made in respect of these warranties or undertakings.

Under the terms of the Loan Agreement with CPS, Powerlan obtained a Loan Note secured by a Deed of Charge over the assets of Powerlan and the following entities it controls:

- Clarity Group Holdings Pty Limited
- Clarity International Pty Limited
- Clarity Philippines Pty Limited
- Clarity Services Pty Limited
- IMX Software Group Pty Limited

A term deposit amount of $60,297 is held as security by Powerlan's bankers ("HSBC") against a bank guarantee issued in relation to the payment of rent. A further term deposit of $111,478 is held as security by HSBC as a guarantee against a performance bond issued to a customer.

Note 26: Events Subsequent to Reporting Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

For the year ended 30 June	Note	2010 $'000	2009 $'000
Note 27: Parent Entity Information			
Current assets		874	181
Total assets		20,097	14,795
Current liabilities		1,031	11,491
Total liabilities		12,135	14,583
Issued capital		164,302	148,935
Retained earnings		(156,340)	(148,723)
Total shareholders' equity		7,962	212
Loss for the year		(7,617)	(14,626)
Total comprehensive expense		**(7,617)**	**(14,626)**

Contingent liabilities

Under the terms of the Loan Agreement with CPS, Powerlan obtained a Loan Note secured by a Deed of Charge over the assets of Powerlan and the entities it controls. Refer Note 25.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
Powerlan Limited

For the year ended 30 June	Note	2010 $'000	2009 $'000
Note 28: Notes to the Cash Flow Statement			
(a) Reconciliation of cash			
For the purposes of the statement of cash flows, cash includes cash on hand and in bank and investments in money market instruments with terms of less than 90 days, net of outstanding bank overdrafts. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:			
Cash at bank and deposits at call		5,458	2,228
Total cash and cash equivalents at end of year		**5,458**	**2,228**
(b) Reconciliation of net cash provided by operating activities to operating loss after income tax			
Loss attributable to members of parent entity		(13,940)	(11,807)
Non cash flows in loss from operating activities			
Depreciation		440	521
Goodwill impairment /amortization of contracts		–	5,438
Impairment of /(write back) of receivables		513	–
Bad debts written off		812	–
Unrealised foreign currency (gain)/loss		597	152
Change in assets and liabilities, net of purchases and disposals of controlled entities			
Interest accrued		1,999	762
Write off of deferred tax assets		749	16
Other accruals and provisions written off/(back)		–	111
Increase in trade and other receivables		(1,513)	(44)
(Increase)/decrease in inventories		3,904	(7,926)
Increase in deferred tax assets		(189)	(130)
Increase/(decrease) in trade and other payables		(2,770)	1,997
Increase/(decrease) in unearned and advance revenue		(50)	1,634
Increase/(decrease) in other provisions		101	(160)
Net cash used in operating activities		**(9,347)**	**(9,436)**

DIRECTORS' DECLARATION

Powerlan Limited

The directors of Powerlan limited declare that:

(a) in the directors' opinion the financial statements and notes on pages 15 to 43 and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 6 to 10, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in note 1;

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001; and

(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(e) At the date of this declaration there are reasonable grounds to believe that the Company and the Group entities identified in note 18 will be able to meet any obligations or liabilities as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2010, as required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Ian Campbell

Dr I Campbell
Chairman

Geoff Harrington

Mr G Harrington
Director

Dated at Sydney this 31st day of August 2010.

Chartered Accountants
& Business Advisers

Independent Auditor's Report

To the members of Powerlan Limited

Report on the Financial Report

We have audited the accompanying financial report of Powerlan Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of Powerlan Limited (the consolidated entity). The consolidated entity comprises Powerlan 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 Accounting 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.

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PKF

Chartered Accountants
& Business Advisers

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Powerlan Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of Powerlan Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Powerlan Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PKF

PKF

Paul Bull
Partner

Sydney
31 August 2010

Shareholdings as at 27 August 2010

(a) Distribution of Shareholders

Size of holding	Shareholders
1 to 1,000	475
1,001 to 5,000	216
5,001 to 10,000	167
10,001 to 100,000	252
100,001 and over	106
Total number of shareholders	**1,216**

(b) The number of shareholdings held in less than marketable parcels is 931.

(c) The names of the substantial shareholders listed in the Powerlan's register are CPS Group Investments Pty Limited having 166,105,120 ordinary shares, HSBC Custody Nominees (Australia) Limited having 20,004,797 ordinary shares, Mr Richard Geoffrey Austin and Mrs Pamela Margaret Austin having 16,666,666 ordinary shares and Mr Angora Lane Pty Ltd having 11,983,166 ordinary shares.

(d) Voting rights – all shares rank equally.

(e) Twenty largest Shareholders – ordinary shares

		Ordinary Shares Held	% of Issued Shares
1	CPS Group Investments Pty Ltd	166,105,120	47.63
2	HSBC Custody Nominees (Australia) Limited	20,004,797	5.74
3	Mr Richard Geoffrey Austin & Mrs Pamela Margaret Austin <Austin Super Fund A/C>	16,666,666	4.78
4	Angora Lane Pty Limited <Angora Lane P/L S/Fund A/C>	11,843,166	3.40
5	Mitris Nominees Pty Ltd <The Mitris Family S/Fund A/C>	10,007,757	2.87
6	Citicorp Nominees Pty Limited	8,392,537	2.41
7	Spinite Pty Ltd	8,333,333	2.39
8	BT Portfolio Services Ltd <Warrell Holdings S/F A/C>	5,031,250	1.44
9	Angora Lane Pty Ltd <Wurm Family A/C>	4,683,500	1.34
10	DMA Insurance Brokers Pty Ltd	4,650,000	1.33
11	Sker Holdings Pty Ltd <Skerman Investment A/C>	4,266,250	1.22
12	Mr Anthony Wilson	4,200,000	1.20
13	Sixth Erra Pty Ltd <Staff Super Fund A/C>	4,166,666	1.19
14	Bizzell Capital Partners Pty Ltd	4,000,000	1.15
15	Kram Nominees Pty Ltd	3,333,334	0.96
16	Limeburners Holdings Pty Ltd <Limeburners One A/C>	3,333,331	0.96
17	Abn Amro Clearing Sydney Nominees Pty Ltd <Settlement A/C>	3,113,098	0.89
18	Kabila Investments Pty Ltd	3,000,000	0.86
19	Red Beetroot Pty Ltd	2,844,166	0.82
20	Robert Wilson	2,785,930	0.80
Total		**290,760,901**	**83.37**

Stock Exchange Listing

Quotation has been granted for all of the ordinary shares of Powerlan on all member exchanges of the Australian Stock Exchange Limited.

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