POWERLAN LIMITED

(ACN: 057 345 785)

31 August 2011

FINAL RESULTS 30 JUNE 2011

Summary ($'000)	**2011**	**2010**
Sales revenue	16,520	19,685
Other revenues	78	1,111
Total revenues from continuing operations	**16,598**	**20,796**
Loss before income tax	(14,290)	(9,337)
Income tax expense	(784)	(741)
Loss from continuing operations	(15,074)	(10,078)
Profit/(loss) from discontinuing operations	2,659	(4,178)
Loss attributable to minority interest	-	316
Net loss attributable to members	**(12,415)**	**(13,940)**

Appendix 4E

Final Report

Name of Entity	**POWERLAN LIMITED**
ACN	**057 345 785**
Financial Year Ended	**30 June 2011**
Previous Corresponding Reporting Period	**30 June 2010**

Results for Announcement to the Market

				$'000
Revenues from continuing operations	Down	16.1%	to	16,520
Loss from continuing operations after income tax attributable to members	Up	49.6%	to	(15,074)
Net loss for the period attributable to members	Down	10.9%	to	(12,415)

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final dividend	Nil	Nil
Previous corresponding period	Nil	Nil
Record date for determining entitlements to the dividends (if any)	N/A	

Revenue from continuing operations for the financial year ended 30 June 2011 was $16.5 million (2010: $19.7 million). Other income was $0.1 million for the year (2010: $1.1 million).

The loss from continuing operations before tax was $14.3 million (2010: $9.3 million). The tax expense of $0.8M (2010: $0.7M) for the year relates to the write off of foreign tax credits which are no longer recoverable.

The revenues and related costs of other discontinued operations during the year resulted in a profit of $2.7 million (2010: loss $4.1 million) The significant improvement in profit from discontinued operations was due to the write back of a one-off credit from the Australian Taxation Office, remission of interest of $4.5M, following payment of the final instalment under the terms of the repayment schedule agreed in 2007.

The net loss attributable to members of Powerlan for the year was $12.4 million (2010: $13.9 million). As a result of the loss the Group's financial position has deteriorated into a net liability position compared with the previous year.

The Group has continued to require additional funding during the year to fund the working capital requirements and on-going losses of Clarity and IMX.

Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

NTA Backing

	Current Period	**Previous corresponding period**
Net tangible asset backing per ordinary security.	(7.36)¢	(3.59)¢

Other Significant Information

(Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position)

Refer to financial statements presented as part of the 2011 Annual Report (attached).

Commentary on the Results for the Period

The earnings per security and the nature of any dilution aspects:

Refer to Note 23 in the 2011 Annual Report.

Returns to shareholders including distributions and buy backs:

None.

Significant features of operating performance :

Significant features of operating performance that may not be apparent in the Results for Announcement to the Market summary at the beginning of this Appendix 4E include:

- Increase in borrowings during the year from $11.1M to $25.8M; and
- Decrease in net assets from $1.9M to a net liability of $11.3M.

For full details please refer to the 2011 Annual Report.

The results of segments that are significant to an understanding of the business as a whole:

Refer to Note 21 in the 2011 Annual Report.

Discussion of trends in performance: Refer to Directors' report included as part of the 2011 Annual Report.
Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified: Refer to the 2011 Annual Report.

Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited	X	The accounts have been subject to review	
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	
If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification: N/A			
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification: N/A			

Attachments Forming Part of Appendix 4E

Attachment #	Details
1	2011 Annual Report

Signed By (Director/~~Company Secretary~~)	
Print Name	Ian Campbell
Date	31 August 2011

POWERLAN

POWERLAN

ANNUAL REPORT
30 June 2011

POWERLAN LIMITED
(A public company which is a disclosing entity)

ABN 87 057 345 785

LEVEL 3, 15 BLUE STREET
NORTH SYDNEY NSW 2060
Tel: 61 2 9925 4600 Fax: 61 2 9955 9999

Contents

This Annual Report covers the consolidated entity consisting of Powerlan Limited and its controlled entities. Powerlan Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is: Level 3, 15 Blue Street, North Sydney, NSW, 2060.

Corporate Directory

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

Mr J Newbery

Chief Financial Officer and Company Secretary

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 Securities Exchange.

ASX: PWR

Powerlan Businesses

Powerlan Limited

Powerlan Limited ("Powerlan" or the "Company") and its controlled entities (the "Group") is a publicly listed company that 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

Established in 1994, Clarity is a leading supplier of software and related deployment services for operations automation to communications services providers and utility companies. Clarity provides proven, pre-integrated solutions that are used 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 differentiates itself by providing market proven, flexible solutions through its comprehensive portfolio. Modules can be easily implemented based on preconfigured, standards based processes with extensible product configurations. Clarity is network and service neutral, which enables service providers to stay competitive in both traditional and next generation communications markets by consolidating and simplifying their operational systems environment. The solution caters for an operator's growth in subscriber volumes through the system's inherent scalability and robustness.

Using convergent systems and processes reduces overall operating costs and increases an operator's agility to integrate new business models. They help operators achieve a lower cost of ownership, and in turn, a greater return on investment, from their network deployments and operations.

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 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.

In addition, Clarity offers a portfolio of professional services, including software deployment services, education and customer support, to deliver a comprehensive solution to address client's most complex operations automation requirements.

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's solutions currently help operators around the world manage over 250 million subscribers. 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, Ireland and Egypt), Western Power (Energy) and Zain.

ConverterTechnology

ConverterTechnology provides software and services to help enterprises capitalise 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.

Directors' Report

Your Directors present this report together with the financial statements of Powerlan and its controlled entities for the financial year ended 30 June 2011.

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 40 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 35 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 Gynecologists 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.

Executives

Jon Newbery - Chief Executive Officer

Jon Newbery has 24 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 and Company Secretary

Andrew has more than 16 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 2011.

Dr Ian Campbell is a Director of 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 2011 was $16.5 million (2010: $19.7 million). Other income was $0.1 million for the year (2010: $1.1 million).

The Company has announced the sale of its IMX Software and ConverterTechnology divisions to CPS with effect from 31 October 2011 (subject to shareholder approval). The results of IMX Software and ConverterTechnology have been classified as discontinued operations for reporting purposes in line with accounting standards. The prior year results have also been restated for comparative purposes

The loss from continuing operations before tax was $14.3 million (2010: $9.3 million). The tax expense of $0.8 million (2010: $0.7 million) for the year relates to the write off of foreign tax credits which are no longer recoverable.

The net loss attributable to members of Powerlan for the year was $12.4 million (2010: $13.9 million). As a result of the loss the Group now has a net liability position.

Review of Operations

Revenues from continuing operations for the 12 months ended 30 June 2011 decreased by 16.1% to $16.5 million. Despite strong sales performance in the first half of the year, the change in sales strategy to be more partner and alliance led has, as anticipated, resulted in short term delays in securing a number of new key projects. This, together with the continued strength of the Australian dollar resulted in a decrease in revenues compared with the previous year. The continued uncertainty in global economies has caused a general loss of confidence across the telco industry in signing medium and long term contracts. However during the year the business continued to invest considerable resource in key software assets as it looks to the future. Other revenues were $0.1 million for the year (2010: $1.1 million). The loss from continuing operations before income tax was $14.3 million (2010: $9.3 million) representing a 50% increase compared with the previous year. No impairment was made 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 increased by 1.1% to $28.8 million.

The loss from continuing operations before interest, tax, depreciation, impairment and amortisation was $11.9 million (2010: $7.1 million).

The revenues and related costs of other discontinued operations during the year resulted in a profit of $2.7 million (2010: loss $4.2 million) The significant improvement in profit from discontinued operations was due to the write back of a one-off credit from the Australian Taxation Office, being the remission of interest of $4.5 million, following payment of the final instalment under the terms of the repayment schedule agreed in 2007

Financial Position

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

- Increase in borrowings during the year from $11.1 million to $25.8 million; and
- Decrease in net assets from $1.9 million to a net liability of $11.3 million.

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 25. 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 31 August 2012. The directors are confident that the Company will achieve improved operating performance and cash flows over the period to 31 August 2012.

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 pipeline 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 2011 (2010: $nil).

Employees

The Group had 125 employees at 30 June 2011 (2010: 128).

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

The Company has announced the sale of its IMX Software and ConverterTechnology divisions to CPS (a related party) with effect from 31 October 2011. The transaction will be tabled for shareholder approval at the forthcoming Annual General Meeting.

With the exception of the above, 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.

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 (Audited)

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, Executive Chairman

Independent Non-Executive Directors

Mr G Harrington

Mr I Lancaster

Ms F McLeod

Executives

Mr J Newbery - Chief Executive Officer (Resigned as Company Secretary on 11 Nov 2010)

Mr A Wrigglesworth – Chief Financial Officer and appointed as Company Secretary on 11 Nov 2010

Mr S Allaway – President, ConverterTechnology

Mr W Tickner – Chief Executive Officer, IMX

The Company's constitution requires that one third of the Company's Directors retire by rotation at each annual general meeting.

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 direction. However, due to the delays in delivering sustainable profits from ongoing operations, Powerlan's share price has continued to decline during the year from a closing price of $0.031 at 30 June 2010 to $0.013 at 30 June 2011, representing a 58% decrease during the year.

$'000	**2007**	**2008**	**2009**	**2010**	**2011**
Company Performance					
Loss after tax	(2,223)	(13,818)	(11,807)	(13,940)	(12,415)
EPS in cents	(5.38)	(17.89)	(14.31)	(6.67)	(3.56)
Share price at 30 June (cents)	22.5	7.6	6.0	3.1	1.3
Director and executive remuneration	2,690	1,848	1,913	1,470	1,680

Directors' and Executive Directors' Remuneration

Details of remuneration for years ended 30 June

	Primary Benefits			Post-employment	Equity		Total	Performance Related %
	Cash salary and fees ($)	Short term cash bonus ($)	Non-monetary ($)	Super-annuation ($)	Options ($)	Termination Benefits ($)	($)	
Non–Executive Directors								
Dr I Campbell								
2011	224,553	-	-	6,193	-	-	230,746	-
2010	192,303	-	-	29,128	-	-	221,431	-
Mr G Harrington								
2011	45,871	-	-	4,129	-	-	50,000	-
2010	45,871	-	-	4,129	-	-	50,000	-
Mr I Lancaster								
2011	45,871	-	-	4,129	-	-	50,000	-
2010	45,871	-	-	4,129	-	-	50,000	-
Ms F McLeod								
2011	45,871	-	-	4,129	-	-	50,000	-
2010	26,758	-	-	23,242	-	-	50,000	-
Totals								
2011	**362,166**	**-**	**-**	**18,580**	**-**	**-**	**380,746**	**-**
2010	**310,803**	**-**	**-**	**60,628**	**-**	**-**	**371,431**	**-**

Remuneration of Executives

Details of remuneration for years ended 30 June

	Primary benefits			Post-employment	Equity	Other	Total	Performance related %
	Cash salary and fees ($)	Short term cash bonus ($)	Non-monetary ($)	Super-annuation ($)	Options ($)	Termin-ation benefits ($)	($)	
Mr J Newbery								
2011	448,301	-	-	15,199	-	-	463,500	-
2010	435,539	-	-	14,461	-	-	450,000	-
Mr A Wriggles-worth								
2011	250,000	-	-	-	-	-	250,000	-
2010	92,822	-	-	-	-	-	92,822	-
Mr S Allaway								
2011	158,828	50,080	-	-	-	-	208,908	24%
2010	169,341	50,992	-	-	-	-	220,334	23%
Mr W Tickner								
2011	267,621	59,118	-	50,355	-	-	377,095	-
2010	263,901	26,991	-	44,984	-	-	335,876	8%
Totals								
2011	**1,124,750**	**109,198**	**-**	**65,554**	**-**	**-**	**1,299,502**	**4%**
2010	**961,603**	**77,983**	**-**	**59,445**	**-**	**-**	**1,099,032**	**7%**

Employment Contracts

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

Name	Contract	Duration	Notice	Termination Payment
Mr J Newbery	Yes	-	3 months	6 months
Mr A Wrigglesworth	Yes	-	3 months	6 months
Mr S Allaway	Yes	-	1 month	1 month
Mr W Tickner	Yes	-	6 months	6 months

This concludes the remuneration report which has been audited

Equity Instrument Disclosures Relating to Directors and Executives

Option Holders

There are no options outstanding for directors or executives.

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.

	Balance at start of the year 1 July 2010	Received during year on the exercise of options	Other changes during the year	Balance at end of the year 30 June 2011
Directors				
Dr I Campbell	166,105,120	-	-	166,105,120
Mr I Lancaster	7,156,000	-	-	7,156,000
Ms F McLeod	190,400	-	-	190,400
Total	**173,451,520**	**-**	**-**	**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 22 to the financial statements.

Directors' Meetings

Directors' meetings were held on 11 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	11	11	N/A	N/A	N/A	N/A
Mr G Harrington	11	11	3	3	N/A	N/A
Mr I Lancaster	11	10	3	3	1	1
Ms F McLeod	11	10	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 2011 was $55,030 (2010: $42,387).

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 2011, 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 (d) 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 14 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 2011.

Signed in accordance with a resolution of the directors.

Dr I Campbell	**I Lancaster**
Chairman	Director

Chartered Accountants
& Business Advisers

Lead Auditor's independence declaration under Section 307C of the *Corporations Act 2001*

To the directors of Powerlan Limited and the entities it controlled during the year

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF

Paul Bull
Partner

Sydney
31 August 2011

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

Corporate Governance Statement

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 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. A Board Charter is publicly available upon request.

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 independent non-executive members; and
- the Chairman of the Board should be an independent non-executive director.
- the roles of the Chairman of the Board and Chief Executive Officer should be exercised by different individuals.

Details of the members of the Board, their experience, expertise, independence, and term of office are set out in the Directors' Report. Members of the Board are able to take independent professional advice at the expense of the Company. The Board regularly reviews the mix of skills and experience of members of the Board and considers this to be sufficient to meet the requirements of the Company

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.
- a Board performance evaluation has not taken place.

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;
- establish a policy concerning diversity

- 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.

The Board promotes gender diversity. As part of diversity, the following applies

- 25% of the Board are women
- 19% of the workforce are women

Powerlan complies with this principle.

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 Trading Policy are available on request.

Principle 4 - Safeguard Integrity in Financial Reporting

The Board has established an audit committee. The audit committee consists of only non-executive independent directors and is chaired by an independent chairman who is not the Chairman of the Board. Details of members of the audit committee and their qualifications together with the numbers of meetings and attendance thereof are set out in the directors' report. The 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;
- 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 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 this principle, except that a formal policy on continuous disclosure is not in place. The size of the business does not justify complete compliance with this principle.

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 except that a formal communication policy in not in place. The size and nature of the business do not justify complete compliance with this principle.

Principle 7 - Recognise and Manage Risk

The ultimate responsibility for risk management and oversight rests with the Board. The Company has identified key risks within the business. In the ordinary course of business, management monitors and manage these risks.

Directors receive regular reports from management on areas of material financial and non-financial business risk and on the continued management of those risks. This reporting process has been in place throughout the reporting period

The Board has received formal assurance from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with Section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to financial reporting risks during the approval process for this Annual Report.

The size of the business does not justify complete compliance with the principle.

Principle 8 – Remunerate Fairly and Responsibly

The Board has established a remuneration committee. The remuneration committee consists of only non-executive directors and is chaired by an independent chairman who is not Chairman of the Board. Details of members of the remuneration committee and the number of meetings and attendance thereof are set out in the directors' report.

Powerlan complies with this principle except

- that a formal charter is not in place together with a policy for distinguishing the structure of non-executive directors' remuneration from that of executive directors and senior executives;
- there are only two members of the remuneration committee

The size of the business does not justify complete compliance with the principle.

Consolidated Statement of Comprehensive Income

For the year ended 30 June	Note	2011 $'000	2010 $'000
Revenue	2a	16,520	19,685
Other income	2b	78	1,111
Expenses, excluding finance costs and impairment	3(a)	(28,819)	(28,503)
Finance costs	3(b)	(2,069)	(1,630)
Loss from continuing operations before income tax		**(14,290)**	**(9,337)**
Income tax expense	4(d)	**(784)**	**(741)**
Loss from continuing operations after income tax expense		**(15,074)**	**(10,078)**
Profit/(loss) from discontinued operations	5	**2,659**	**(4,178)**
Loss for the year		**(12,415)**	**(14,256)**
Other comprehensive income/(expense)			
Adjustments from translation of foreign controlled entities		(783)	(515)
Other comprehensive income/(expense) for the year, net of tax		**(783)**	**(515)**
Total comprehensive expense for the year		**(13,198)**	**(14,771)**
Loss attributable to:			
Minority interest		-	(316)
Members of the parent entity		(13,198)	(14,455)
Loss for the year		**(13,198)**	**(14,771)**
		Cents	Cents
Total Operations			
Basic and diluted earnings per share	23	(3.56)	(6.85)
Continuing Operations			
Basic and diluted earnings per share	23	(4.32)	(4.80)
Discontinued Operations			
Basic and diluted earnings per share	23	0.76	(2.05)
Dividends per Ordinary Share	19	-	-

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

Consolidated Statement of Financial Position

As at 30 June	Note	2011 $'000	2010 $'000
Current Assets			
Cash and cash equivalents	29(a)	2,575	5,458
Trade and other receivables	6	2,874	7,682
Inventories	7	3,632	5,995
Investments held to maturity	8	1,532	-
		10,613	**19,135**
Assets classified as held for sale	9	2,784	-
Total Current Assets		**13,397**	**19,135**
Non-Current Assets			
Plant & equipment	10	298	442
Intangible assets	11	14,414	14,457
Deferred tax assets	12	65	384
Total Non-Current Assets		**14,777**	**15,283**
Total Assets		**28,174**	**34,418**
Current Liabilities			
Trade and other payables	13	6,239	15,018
Short term provisions	14	1,312	1,645
Other financial liabilities	15	2,876	4,353
		10,427	**21,016**
Liabilities directly associated with assets classified as held for sale	9	2,963	**-**
Total Current Liabilities		**13,390**	**21,016**
Non-Current Liabilities			
Trade and other payables	13	-	46
Long term provisions	14	243	360
Borrowings	16	25,808	11,065
Total Non-Current Liabilities		**26,051**	**11,471**
Total Liabilities		**39,441**	**32,487**
Net Assets		**(11,267)**	**1,931**
Equity			
Issued capital	17	164,302	164,302
Reserves		(1,741)	(958)
Accumulated losses		(173,829)	(161,413)
Total Equity		**(11,267)**	**1,931**

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

Consolidated Statement of Changes in Equity

Attributable to equity holders of the consolidated entity	Issued Capital	Foreign Currency Reserve	Other Reserves	Minority Interest	Accumul -ated Losses	Total
	$'000	$'000	$'000	$'000	$'000	$'000
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**
Balance at 1 July 2010	**164,302**	**562**	**(1,520)**	**-**	**(161,413)**	**1,931**
Loss attributable to members of the consolidated entity	-	-	-	-	(12,415)	(12,415)
Adjustments from translation of foreign controlled entities	-	(783)	-	-	-	(783)
Total comprehensive income/ (expense) for the year	-	(783)	-	-	(12,415)	(13,198)
Balance at 30 June 2011	**164,302**	**(221)**	**(1,520)**	**-**	**(173,829)**	**(11,267)**

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

Consolidated Cash Flow Statement

For the year ended 30 June	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers		28,110	29,548
Payments to suppliers and employees		(41,946)	(38,591)
Interest received		10	45
Finance costs		(132)	(349)
Net cash used in operating activities	29(b)	**(13,958)**	**(9,347)**
Cash flows from investing activities			
Purchase of plant & equipment	10	(193)	(244)
Payment for subsidiary and business, net of cash acquired		-	(1,520)
Payment for held to maturity investments		(1,532)	-
Net cash used in investing activities		**(1,725)**	**(1,764)**
Cash flows from financing activities			
Proceeds from issue of shares, net of expenses	17	-	15,367
Loan proceeds from related parties	22, 25	12,800	8,290
Loan repaid to related parties	22, 25	-	(9,000)
Minority interest contribution		-	(316)
Net cash provided by financing activities		**12,800**	**14,341**
Net increase/(decrease) in cash and cash equivalents		**(2,883)**	**3,230**
Cash and cash equivalents at the beginning of the year		5,458	2,228
Cash and cash equivalents at the end of the year		**2,575**	**5,458**

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

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 30 June 2011

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. Clarity operates within the telecom industry segment.
- **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. These activities are now classified as held for sale and shown as discontinued operations under segment reporting.
- **IMX Software** - offers software solutions for the travel money, foreign exchange and the international banking industries. These activities are now classified as held for sale and shown as discontinued operations under segment reporting.

On 17 March 2011, the Directors announced the proposed sale of ConverterTechnology and IMX to CPS which is subject to shareholders' approval.

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 2011. The comparative reporting period is for the year ended 30 June 2010.

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 2011 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 25. 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 31 August 2012. The directors are confident that the Company will achieve improved operating performance and cash flows over the period to 31 August 2012.

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 pipeline 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) Significant Judgment and Key Assumptions

The directors evaluate estimates and judgments 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(n). Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates which are outlined in note 11.

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

Key judgments –provision for impairment of receivables

The directors believe that no provision for impairment of receivables is required to cover the amounts receivable from customers as at 30 June 2011.

Key judgments – 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 judgment.

d) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised on the Statement of Financial Position 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 Statement of Financial Position 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.

e) 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 20 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.

f) 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.

g) 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.

h) Income Taxes

Income taxes are accounted for using the comprehensive 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.

i) 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.

j) 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.

k) 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.

l) Plant & Equipment

Plant & equipment are stated at cost.

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

- plant & 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 & 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.

m) 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.

n) 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.

o) Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of a non-current asset and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

p) Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows for the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the consolidated entity's management has the positive intention and ability to hold to maturity. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

q) 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.

r) 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.

s) 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.

t) 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 27.

u) 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.

v) 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.

w) 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 are translated at the closing rate at the reporting date
- income and expenses 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.

x) 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.

y) Adoption of New and Revised Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below (this list is not complete, but represents the standards that apply to the Group):

(i) *AASB 9 Financial Instruments*, *AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* and *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013).

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The Group intends to apply the new standard from 1 July 2013 and is yet to assess any potential impact on the financial statements.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011).

AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition of a related party. The Group intends to apply the revised standard from 1 July 2011 and is yet to assess any potential impact on the financial statements.

(iii) *AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvement Project* (effective from 1 January 2011).

AASB 2010-4 introduces amendments as a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The Group intends to apply the new standard from 1 July 2011 and is yet to assess any potential impact on the financial statements.

(iv) AASB 2010-5 Amendments to Australian Accounting Standards (effective from 1 January 2011).

AASB 2010-5 introduces amendments that make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The Group intends to apply the new standard from 1 July 2011 and is yet to assess any potential impact on the financial statements.

*(v) AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project (*effective from 1 July 2011).

AASB 2011-1 introduces amendments that make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards between Australian and New Zealand standards. The Group intends to apply the new standard from 1 July 2011 and is yet to assess any potential impact on the financial statements.

*(vi) AASB 2011-4 Amendment to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (*effective from 1 July 2013).

AASB 2011-4 introduces amendments that arise from a decision by the Australian Accounting Standards Board to remove the individual key management personnel disclosures from AASB 124. The Group intends to apply the new standard from 1 July 2011 and is yet to assess any potential impact on the financial statements.

z) 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.

aa) 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.

Note 2: Revenue

For the year ended 30 June		2011 $'000	2010 $'000
(a)	**Revenue**		
	Sale of goods	3,422	6,316
	Services revenue	13,098	13,369
	Total sales revenue	**16,520**	**19,685**
(b)	**Other income**		
	Interest received	9	45
	Realised foreign currency gain	-	932
	Export market grants	-	133
	Other	69	1
	Total other income	**78**	**1,111**

Note 3: Loss from continuing operations

For the year ended 30 June		2011 $'000	2010 $'000
Loss from continuing operations includes:			
(a)	**Expenses, excluding finance costs**		
	Employee benefit expenses	17,123	16,360
	Cost of sales	4,409	3,067
	Travel expenses	2,398	2,265
	Operating lease - minimum lease payments	925	1,129
	Marketing and promotion	880	941
	Professional fees	966	999
	Communication expenses	464	541
	Realised foreign currency loss	318	-
	Depreciation of property, plant & equipment	227	359
	Unrealised foreign exchange loss	141	645
	Provision for doubtful debts	68	210
	Bad debts written off	49	813
	Amortisation of contracts acquired	43	208
	Other expenses	808	966
	Total expenses, excluding finance costs and impairment	**28,819**	**28,503**

Note 3: Loss from continuing operations (cont'd)

For the year ended 30 June		2011 $'000	2010 $'000
(b)	**Finance costs**		
	Finance cost includes:		
	- other persons	16	20
	- director related	2,053	1,610
	Total finance costs	**2,069**	**1,630**
(c)	**Individual (revenues)/expenses included in loss from continuing operations before income tax expense include:**		
	Changes of provisions for:		
	- impairment of receivables	1,011	577
	- employee benefits	345	(186)
(d)	**Auditor's remuneration**		
	Remuneration of the auditor for:	**$**	**$**
	- audit and review of the financial statements	174,283	191,076
	- tax compliance & other services	170,333	197,973
		344,616	389,049

Note 4: Income tax

For the year ended 30 June		2011 $'000	2010 $'000
(a)	**Income tax expense**		
	Income tax expense comprises:		
	Foreign tax credits written off	(784)	(741)
(b)	**Prima facie tax expense/(benefit) calculated at 30% (2010: 30%) on the loss from continuing operations**		
	Tax at 30% (2010:30%)	(4,522)	(3,023)
	Add/(deduct) tax effect of :		
	- non-allowable items	(1,074)	368
	- net temporary differences reversed	108	1,351
	- benefit of tax losses not recognised	(3,556)	(4,742)
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	9	287
(d)	**Deferred tax – foreign tax credits**		
	Foreign tax credits written off	(784)	(741)

Note 5: Discontinued operations

For the year ended 30 June	Note	2011 $'000	2010 $'000

On 17 March 2011, the Directors announced the proposed sale of ConverterTechnology and IMX to CPS which is subject to shareholders' approval. As a result discontinued operations represent ConverterTechnology, IMX Software (considered as held for sale) and other companies (refer Note 20) which are in the process of being sold or closed down and do not conduct any business (considered as discontinued).

(a) Financial performance

	Note	2011 $'000	2010 $'000
Revenues			
Services and license revenue		9,126	7,628
Total revenues		9,126	7,628
Other income			
Write back of ATO debt no longer required	**13**	4,540	-
Net interest income		196	-
Other income		138	240
Total other income		4,874	240
Expenses, excluding finance costs			
Cost of sales		1,745	1,319
Lease rental expenses		546	480
Employee expenses		8,205	7,963
Depreciation of property, plant & equipment		122	143
Professional fees		79	163
Travel expenses		397	425
Other expenses		647	824
Total expenses, excluding finance costs		11,741	11,317
Finance costs			
Finance costs expense			
- other persons		-	729
Total finance costs		**-**	**729**
Profit/(loss) from discontinued operations		**2,259**	**(4,178)**
Income tax benefit		400	-
Profit/(loss) after income tax from discontinued operations		**2,659**	**(4,178)**

(b) Cash flow information

The net cash flows of the discontinued operations which have been incorporated into the cash flow statement are as follows:

	2011 $'000	2010 $'000
Net cash used in operating activities	(5,539)	(6,075)
Net cash used in investing activities	(58)	(91)
Net cash provided by financing activities	5,687	6,310
Net increase in cash in discontinued operations	**90**	**144**

For the year ended 30 June		2011 $'000	2010 $'000
(c)	**Carrying amounts of assets and liabilities**		
	Fair value of assets and liabilities of discontinued operations		
	Cash and cash equivalents	629	8
	Receivables	2,255	-
	Inventory	342	-
	Other current assets	90	-
	Plant & equipment	98	-
	Total assets	**3,414**	**8**
	Trade and other payables	2,963	5,773
	Total liabilities	**2,963**	**5,773**
	Net assets/(liabilities)	**451**	**(5,765)**

Refer to Note 9 for details on assets and liabilities held for sale pertaining to IMX and Converter included within the above.

Note 6: Trade and other receivables

As at 30 June	2011 $'000	2010 $'000
Current		
Trade receivables	2,556	7,863
Provision for impairment of receivables	-	(1,011)
Prepayments	315	438
Deposits	3	35
Other	-	357
Total current trade and other receivables	**2,874**	**7,682**

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 24.

The ageing of trade receivables is detailed below:

As at 30 June	2011 $'000	 $'000
	Gross	*Provision*
Not past due	584	-
Past due 0 - 30 days	1,428	-
Past due 31 - 60 days	194	-
Past due 61 - 90 days	-	-
Past due 91 days	350	-
Total receivables	**2,556**	**-**

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.

The movement in the provision for impairment of receivables in respect of trade receivables is detailed below:

As at 30 June	2011 $'000	2010 $'000
Opening balance	1,011	1,588
Amount classified as held for sale	(2)	-
Additional provisions	-	210
Amounts used	(1,009)	(745)
Foreign currency exchange differences	-	(42)
Closing balance	**-**	**1,011**

Note 7: Inventories

As at 30 June	2011 $'000	2010 $'000
Work in progress - at cost	3,632	5,995
Total inventories	**3,632**	**5,995**

Note 8: Investments held to maturity

As at 30 June	2011 $'000	2010 $'000
Term deposits	1,532	-
Total investments held to maturity	**1,532**	**-**

Note 9: Assets and liabilities classified as held for sale

As at 30 June	Note	2011 $'000	2010 $'000
(a) Assets classified as held for sale			
Trade receivables		2,256	-
Inventories		342	-
Plant & equipment		98	-
Other assets		90	-
Total assets	**5**	**2,784**	**-**
(b) Liabilities directly associated with assets classified as held for sale			
Accounts payable		650	-
Accruals		467	-
Unearned revenue		1,171	-
Other payables		675	-
	5	**2,963**	**-**

Note 10: Plant & Equipment

As at 30 June	2011 $'000	2010 $'000
Plant & equipment - at cost	578	2,167
Less: accumulated depreciation	(307)	(1,766)
	271	**401**
Leasehold improvements - at cost	22	208
Less: accumulated depreciation	(6)	(188)
	16	**20**
Furniture & fittings - at cost	16	136
Less: accumulated depreciation	(5)	(115)
	11	**21**
Total plant & equipment	**298**	**442**

	Plant & Equipment $'000	Leasehold improvement $'000	Furniture & Fittings $'000	Total $'000
Movements in carrying amounts				
Balance at beginning of year	**401**	**20**	**21**	**442**
Assets reclassified as held for sale	(93)	-	(17)	(110)
Additions	182	-	11	193
Depreciation expense	(219)	(4)	(4)	(227)
Balance at end of year	**271**	**16**	**11**	**298**

Note 11: Intangible Assets

As at 30 June	2011 $'000	2010 $'000
Goodwill	14,414	14,457
Net carrying value of goodwill	**14,414**	**14,457**
Reconciliation of carrying amount of intangibles:		
Balance at beginning of year	14,457	14,665
Amortisation	(43)	(208)
Balance at end of year	**14,414**	**14,457**
Goodwill is allocated to cash generating units which are based on the Group's reporting segments.		
Telecom Industry	14,414	14,457
Total goodwill	**14,414**	**14,457**

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.

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

	Growth rates %		**Discount rates %**		**Terminal value growth rates %**	
As at 30 June	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Telecom Industry	20-49	30-66	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	(8,318)
High	-1.5	+0.5	5,660

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.

Note 12: Deferred Tax Assets

As at 30 June	**2011 $'000**	**2010 $'000**
Deferred tax assets		
Withholding tax credits	65	384
Total deferred tax assets	**65**	**384**

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.

Note 13: Trade and Other Payables

As at 30 June	2011 $'000	2010 $'000
Current		
Trade payables	2,090	3,007
Accruals	3,380	5,152
Other payables	769	6,859
Total current trade and other payables	**6,239**	**15,018**
Non-Current		
Other payables	-	46
Total non-current trade and other payables	**-**	**46**

ATO Debt

Included in other payables (current) is an amount outstanding to the Australian Tax Office ("ATO") of Nil (2010: $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. During the year (Dec 2010) the Company paid the final installment.

Note 14: Provisions

As at 30 June	2011 $'000	2010 $'000
Current		
Employee benefits	1,312	1,630
Other provisions	-	15
Total current provisions	**1,312**	**1,645**
Non-Current		
Employee benefit	243	360
Total non-current provisions	**243**	**360**
Total provisions	**1,555**	**2,005**

As at 30 June	***2011***	***2010***
Number of employees at year end	***No***	***No***
Number of employees	*125*	*128*
Reconciliation of carrying amounts of employee benefits	***$'000***	***$'000***
Balance at beginning of year	*1,990*	*1,804*
Liability reclassified as held for sale	*(432)*	*-*
Additional provisions	*585*	*717*
Charges against the provisions	*(523)*	*(507)*
Unused amounts reversed	*(24)*	*(5)*
Net foreign currency exchange movement	*(41)*	*(19)*
Balance at end of year	***1,555***	***1,990***

Provision for Employee Benefits

A provision has been recognised for employee benefits relating to annual and long service leave. In calculating the present value of future cash flows 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 benefits have been included in note 1(r) and note 1(s) of the financial statements.

Note 15: Other Current Liabilities

As at 30 June	**2011**	**2010**
	$'000	**$'000**
Unearned revenue	2,876	4,353
Total unearned revenue	**2,876**	**4,353**

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 as and when the services are provided.

Note 16: Borrowings

As at 30 June		**2011**	**2010**
	Note	**$'000**	**$'000**
Non-Current			
Interest bearing liabilities - related parties		25,808	11,065
Total non-current borrowings		**25,808**	**11,065**

Pursuant to a Loan Note Subscription Agreement dated 10 May 2005 ("Loan Agreement"), CPS agreed to subscribe for and pay the Issue Price (as defined in the Loan Agreement) to the Company for a Note (as defined 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 fixed and floating charge, established on 11 May 2005, refer Note 26. The Company has a facility of $30 million.

The balance outstanding to CPS Investments under the Loan Note at the 30 June 2011 was $25.8 million (2010:$11.1 million) of which $21.8 million is principal (2010: $9.8 million). The Company has not borrowed any additional funds subsequent to the reporting date.

Note 17: Issued Capital

As at 30 June		2011 $'000	2010 $'000
(a)	**Ordinary Shares**		
	348,744,251 (2010: 82,526,822) fully paid ordinary shares	164,302	164,302
(b)	**Movements during the year**		
	Balance at the beginning of the year		
	348,744,251 fully paid ordinary shares (2010: 82,526,822)	164,302	148,935
	Nil (2010: 266,217,429) fully paid ordinary shares issued	-	15,973
	Cost of capital raising	-	(606)
	Balance at the end of the year	**164,302**	**164,302**

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 previous 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 2010 to 1,216 as on 30 June 2011.

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 Statement of Financial Position plus debt. The Group's policy is to maintain a gearing ratio of less than 50%. The Group is exploring 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	2011 $'000	2010 $'000
Gearing Ratio		
Debt	25,808	11,065
Equity	(11,267)	1,931
Total capital	**14,541**	**12,996**
Gearing ratio	178%	85%

Note 18: Capital and Leasing Commitments

For the year ended 30 June	2011 $'000	2010 $'000
Operating lease commitments		
Non-cancelable operating leases contracted for but not capitalised in the financial statements:		
Not later than one year	518	477
Later than one year but not later than five years	1,185	1,360
Total operating lease commitments	**1,703**	**1,837**

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.

Note 19: Dividends

For the year ended 30 June	2011 $'000	2010 $'000
Proposed ordinary dividends	-	-
Balance of franking account	4,091	4,091

Note 20: Controlled Entities

Powerlan is the ultimate parent entity in the wholly owned group.

Controlled Entities	Country of Incorporation	Percentage of Shares Held 2011	Percentage of Shares Held 2010
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 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%	100%
Clarity OSS Limited **	United Kingdom	100%	100%
Clarity OSS (Singapore) Pte Limited	Singapore	100%	100%
Clarity OSS Software India Pvt. Limited	India	100%	100%
Clarity OSS (Bulgaria) EOOD	Bulgaria	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%
PWR Powerlan (Malaysia) Sdn Bhd **	Malaysia	100%	100%
Converter Technology, Inc. (formerly Powerlan USA Incorporated)	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%
No 4 Resources Pty Limited (deregistered)	Australia	-	100%
Omnix Holdings Limited **	United Kingdom	100%	100%
Omnix Software Limited	United Kingdom	100%	100%
Odyssey Software Limited **	United Kingdom	100%	100%

** 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.

Note 21: Segment Reporting

For the year ended 30 June	Telecom Industry $'000	Discontinued Operations $'000	Total $'000
2011			
Revenue	16,520	9,126	25,646
Other income	78	4,874	4,952
	16,598	**14,000**	**30,598**
Expenses, excluding finance costs and impairment	(28,819)	(11,741)	(40,560)
Finance costs	(2,069)	-	(2,069)
Profit/(loss) from operations before income tax expense	**(14,290)**	**2,259**	**(12,031)**
Income tax benefit/(expense)	(784)	400	(384)
Profit/(loss) attributable to members of the parent entity	**(15,074)**	**2,659**	**(12,415)**
Total assets	25,389	2,785	28,174
Total liabilities	(35,722)	(3,719)	(39,441)
Net liabilities	**(10,333)**	**(934)**	**(11,267)**
Other			
Acquisition of non-current assets	193	-	193
Depreciation	227	-	227
2010			
Revenue	19,685	7,628	27,313
Other income	1,111	240	1,351
	20,796	7,868	**28,664**
Expenses, excluding finance costs and impairment	(28,503)	(11,317)	(39,820)
Finance costs	(1,630)	(729)	(2,359)
Profit/(loss) from operations before income tax expense	**(9,337)**	**(4,178)**	**(13,515)**
Income tax expense	(741)	-	(741)
Loss from operations after income tax expense	**(10,078)**	**(4,178)**	**(14,256)**
Loss attributable to minority interest	(316)	-	(316)
Loss attributable to members of the parent entity	**(9,762)**	**(4,178)**	**(13,940)**
Total assets	32,160	2,257	34,417
Total liabilities	(29,889)	(2,597)	(32,486)
Net assets/(liabilities)	**2,271**	**(340)**	**1,931**
Other			
Acquisition of non-current assets	147	97	244
Depreciation	359	-	359

Note 21: Segment Reporting (cont'd)

The operating segments are based on the reports reviewed by the chief operating decision maker. Following the decision to sell the IMX software and Converter Technology divisions to CPS (refer to note 27) at 30 June 2011 the two reportable segments of the consolidated entity are:

1. Telecom industry – consists of software and services provided to the telecom industry (comprising clarity division)
2. Discontinued operations – incorporates the previously reported segments of financial services (IMX Software) and enterprise management (ConverterTechnology).

The comparative information for the prior year 2010 reportable segments have been restated to reflect the change noted above.

Note 22: Related Party Disclosure

	CONSOLIDATED	
For the year ended 30 June	**2011**	**2010**
	$	**$**
(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	12,800,000	8,290,000
Monies repaid by Powerlan to CPS	-	9,000,000
Monies owed by Powerlan to CPS	25,808,397	11,064,626
Interest paid/payable to CPS in relation to the loan in the year	2,052,576	1,610,295
Amount paid/payable to CPS in relation to services rendered	531,855	545,969
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	180,183	214,450

The balance outstanding to CPS Investments under the Loan Note at the 30 June 2011 was $25.8 million (2010: $11.1 million) of which $21.8 million is principal (2010: $9.0 million). The Company has not borrowed any additional funds subsequent to the balance date.

Note 22: Related Party Disclosure (cont'd)

(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 (resigned as Company Secretary on 11 November 2010)

Mr A Wrigglesworth – appointed as Company Secretary on 11 November 2010

Mr S Allaway

Mr W Tickner

For the year ended 30 June		**2011**	**2010**
		$	**$**
(c)	**Individual directors and executives compensation disclosures**		
	Non-executive directors		
	Primary benefits	362,166	310,803
	Post-employment benefits	18,580	60,628
	Total non-executive directors	**380,746**	**371,431**
	Executives		
	Primary benefits	1,233,948	1,039,587
	Post-employment benefits	65,554	59,445
	Termination benefits	-	-
	Total executives	**1,299,502**	**1,099,032**
	Total	**1,680,248**	**1,470,463**

Information regarding individual directors' and executives' compensation is provided in the remuneration report included as part of the directors' report on pages 7 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.

Note 22: Related Party Disclosure (cont'd)

(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.

Note 23: Earnings per Share

	CONSOLIDATED	
For the year ended 30 June	**2011**	**2010**
Total Operations		
Net loss used in calculating basic and diluted earnings per share ($'000)	(12,415)	(13,940)
Weighted average number of ordinary shares outstanding during the year used in the calculation of earnings per share and diluted earnings per share (number):	348,744,251	203,588,243
Basic and diluted earnings per share (cents)	**(3.56)**	**(6.85)**
Continuing Operations		
Net loss used in calculating basic and diluted earnings per share ($'000)	(15,074)	(9,762)
Weighted average number of ordinary shares outstanding during the year used in the calculation of earnings per share and diluted earnings per share (number):	348,744,251	203,588,243
Basic and diluted earnings per share (cents)	**(4.32)**	**(4.80)**
Discontinued Operations		
Net profit/(loss) used in calculating basic and diluted earnings per share ($'000)	2,659	(4,178)
Weighted average number of ordinary shares outstanding during the year used in the calculation of earnings per share and diluted earnings per share (number):	348,744,251	203,588,243
Basic and diluted earnings per share (cents)	**0.76**	**(2.05)**

Note 24: 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 (refer Notes 25). 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:

		INTEREST RATE RANGE							
As at 30 June	**Note**	**2011**				**2010**			
		Amount	**Avg**	**From**	**To**	**Amount**	**Avg**	**From**	**To**
		$'000	**%**	**%**	**%**	**$'000**	**%**	**%**	**%**
Financial assets:									
Cash and cash equivalents	29(a)	2,575	-	-	-	5,458	0.7	-	4.4
Trade and other receivables	6	2,874	-	-	-	7,682	-	-	-
Deposits	8	1,532	-	-	-	-	-	-	-
Total financial assets		**6,981**				**13,140**			
Financial liabilities									
Trade and other payables	13	6,239	-	-	-	15,064	4.1	-	11.1
Borrowings	16	25,808	12.0	12.0	12.0	11,065	12.0	12.0	12.0
Total financial liabilities		**32,047**				**26,129**			

The effective interest rate on the Group's net debt at 30 June 2011 was 9.7% (2010: 7.4%).

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.

Note 24: Financial Risk Management (cont'd)

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 2011 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.

Sensitivity analysis on finance costs and net profit of interest rate movements

	CONSOLIDATED	
For the year ended 30 June	**2011**	**2010**
	$'000	**$'000**
If interest rates were 10 % higher with all other variables held constant - increase/(decrease) in profit	(207)	(163)
If interest rates were 10% lower with all other variables held constant - increase/(decrease) in profit	207	163

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	Indonesian rupiah
United States dollar	Philippine pesos
United Kingdom pound	Singapore dollar
Indian rupee	Malaysian ringgit
Euro	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.

Note 24: Financial Risk Management (cont'd)

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:

As at 30 June	Note	2011 $'000	2010 $'000
Trade receivables			
Australian dollar		467	1,382
United States dollar		922	5,596
United Kingdom pound		284	220
Euro		167	182
Others		716	483
Total	6	**2,556**	**7,863**
Trade payables			
Australian dollar		893	502
United States dollar		271	753
United Kingdom pound		370	576
Philippine Peso		176	854
Others		380	322
Total	13	**2,090**	**3,007**

Foreign currency exposure: revenues and expenses by currency

For the year ended 30 June	2011 $'000	2010 $'000
Revenue		
Australian dollar	3,418	1,216
United States dollar	4,151	8,801
United Kingdom pound	1,421	2,417
Indonesian Rupiah	2,282	-
Malaysian Ringitt	1,376	2,570
Euro	3,274	4,199
Others	676	1,593
Total	**16,598**	**20,796**
Expenses		
Australian dollar	16,168	15,407
United States dollar	1,864	2,700
United Kingdom pound	5,937	5,423
Singapore dollar	450	885
Indonesian rupiah	1,747	1,537
Philippine peso	816	1,881
Euro	1,785	991
Malaysian Ringgit	1,156	835
Others	965	474
Total	**30,888**	**30,133**

Note 24: Financial Risk Management (cont'd)

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 1.05955 (2010: 0.85631). An adverse movement in the rate of 10 per cent would increase the rate to 1.16550 (2010: 0.94194) where as a favourable movement would decrease the rate to 0.95359 (2010: 0.77068). 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:

	CONSOLIDATED	
For the year ended 30 June	**2011 $'000**	**2010 $'000**
If Australian dollar were 10 per cent stronger with all other variables held constant - increase/(decrease) in profit	154	(485)
If Australian dollar were 10 per cent weaker with all other variables held constant - increase/(decrease) in profit	(154)	485

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.

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 Statement of Financial Position 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.

Note 24: Financial Risk Management (cont'd)

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 25) ; 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 month $'000	1-3 months $'000	3 months-1 year $'000	1-5 years $'000	Total $'000
2011						
Financial liabilities						
Trade and other payables	13	2,090	4,149	-	-	6,239
Borrowings	16	-	-	-	25,808	25,808
Total financial liabilities		**2,090**	**4,149**	**-**	**25,808**	**32,047**
2010						
Financial liabilities						
Trade and other payables		4,061	5,151	5,806	46	15,064
Borrowings	16	-	-	-	11,065	11,065
Total financial liabilities		**4,061**	**5,151**	**5,806**	**11,111**	**26,129**

Note 25: Financing Arrangements

Pursuant to a Loan Agreement with CPS, the Company has a $30M line of credit. During the year ended 30 June 2011, 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 $30M. The balance outstanding to CPS Investments under the Loan Note at the 30 June 2011 was $25.8 million of which $21.8 million is principal (2010: $9.0 million). The Company has not borrowed any additional funds subsequent to the balance date.

Note 26: 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 (formerly Clarity Global Solutions Pty Limited)

Clarity International Pty Limited (formerly Clarity International Limited)

Clarity Philippines Pty Limited

Clarity Services Pty Limited

IMX Software Group Pty Limited

Term deposits of $1,531,857 (Refer Note 8) are held as security by HSBC as a guarantee against performance bonds issued to a customer.

Note 27: Events Subsequent to Reporting Date

The Company has announced the sale of its divisions IMX Software and ConverterTechnology to CPS, a related party. It is planned that the sale will take place subsequent to the reporting date and will be tabled for approval at the forthcoming Annual General Meeting.

Other than the above, 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.

Note 28: Parent Entity Information

As at year ended 30 June	2011 $'000	2010 $'000
Current assets	191	874
Total assets	26,096	20,097
Current liabilities	(1,382)	(1,031)
Total liabilities	(27,070)	(12,135)
Issued capital	164,302	164,302
Retained earnings	(165,276)	(156,340)
Total shareholders' equity	(974)	7,962
Loss for the year	(8,621)	(7,617)
Total comprehensive income/(expenses)	(8,621)	(7,617)

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 and 26.

Note 29: Notes to the Cash Flow Statement

		CONSOLIDATED	
For the year ended 30 June		2011 $'000	2010 $'000
(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 Statement of Financial Position as follows:		
	Cash at bank and deposits at call	2,575	5,458
	Total cash and cash equivalents at end of year	**2,575**	**5,458**
(b)	**Reconciliation of net cash provided by operating activities to operating loss after income tax**		
	Loss attributable to members of parent entity	(12,415)	(13,940)
	Non cash flows in loss from operating activities		
	Depreciation	227	440
	Goodwill impairment /amortization of contracts	43	-
	Impairment of receivables	136	513
	Bad debts written off		812
	Unrealised foreign currency gain/(loss)	(783)	597
	Change in assets and liabilities, net of purchases and disposals of controlled entities		
	Interest accrued	1,742	1,999
	Write off of deferred tax assets	-	749
	Other accruals and provisions written off/(back)	(4,729)	-
	(Increase)/decrease in trade and other receivables	2,328	(1,513)
	(Increase)/decrease in inventories	2,021	3,904
	(Increase)/decrease in deferred tax assets	319	(189)
	Increase/(decrease) in trade and other payables	(2,515)	(2,770)
	Increase/(decrease) in unearned and advance revenue	(306)	(50)
	Increase/(decrease) in other provisions	(26)	101
	Net cash used in operating activities	**(13,958)**	**(9,347)**

Directors' Declaration

The directors of Powerlan limited declare that:

(a) in the directors' opinion the financial statements and notes on pages 22 to 53 and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 8 to 11, 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 2011 and its 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 20 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 2011, as required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Dr I Campbell	**Mr I Lancaster**
Chairman	Director

Dated at Sydney this 31st day of August 2011

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 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of Powerlan Limited (the company) and the consolidated entity. The consolidated entity comprises the company 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 and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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.

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

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 2011 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company 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 2011, complies with section 300A of the *Corporations Act 2001*.

PKF

Paul Bull
Partner

Sydney
31 August 2011

Additional Information for Listed Public Companies

Shareholdings as at 30 August 2011

(a) Distribution of Shareholders

Size of Holding	Shareholders
1 to 1,000	465
1,001 to 5,000	204
5,001 to 10,000	156
10,001 to 100,000	230
100,001 to over	114
Total Number of Shareholders	**1,169**

(b) The number of shareholdings held in less than marketable parcels is 188.

(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 11,643,166 ordinary shares.

(d) Voting rights - all shares rank equally.

(e) Twenty largest Shareholders - ordinary shares

	20 Largest Shareholders	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 Ltd <Angora Lane P/L S/Fund A/C>	11,643,166	3.34
5	Mitris Nominees Pty Ltd <The Mitris Family S/Fund A/C>	10,007,757	2.87
6	Spinite Pty Ltd	8,333,333	2.39
7	Citicorp Nominees Pty Limited	7,250,283	2.08
8	BT Portfolio Services Ltd <Warrell Holdings S/F A/C>	5,266,250	1.51
9	Robert Wilson	4,885,930	1.40
10	Angora Lane Pty Ltd <Wurm Family A/C>	4,683,500	1.34
11	DMA Insurance Brokers Pty Ltd	4,650,000	1.33
12	SKER Holdings Pty Ltd <Skerman Investment A/C>	4,266,250	1.22
13	Mr Anthony Wilson	4,200,000	1.20
14	Sixth Erra Pty Ltd <Staff Super Fund A/C>	4,166,666	1.19
15	Bizzell Nominees Pty Ltd <Bizzell Family A/C>	4,019,976	1.15
16	Kram Nominees Pty Ltd	3,333,334	0.96
17	Limeburners Holdings Pty Ltd <Limeburners One A/C>	3,333,331	0.96
18	Kabila Investments Pty Ltd	3,000,000	0.86
19	Limits Pty Limited <Duncan Gamble Family A/C>	2,844,166	0.82
20	Connaught Consultants (Finance) Pty Ltd <Super Fund A/C>	2,791,333	0.80
Total		**291,451,858**	**83.57**

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.