Rules 4.1, 4.3

Appendix 4D

Half yearly report

Name of Entity	POWERLAN LIMITED
ACN	057 345 785
Financial Period Ended	31 December 2010
Previous Corresponding Reporting Period	31 December 2009

Results for Announcement to the Market

		$'000	Percentage increase/ (decrease) over previous corresponding period
Revenue		12,807	2.8%
Loss after tax attributable to members		(4,576)	(41.7%)
Net loss for the period attributable to members		(5,487)	(31.0%)
Dividends (distributions)	**Amount per security**		**Franked amount per security**
Final Dividend	N/A		N/A
Interim Dividend	N/A		N/A
Previous corresponding period	N/A		N/A
Record date for determining entitlements to the dividends (if any)			N/A

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Revenue from continuing operations for the six months ended 31 December 2010 increased by 2.8% to $12.8M (2009: $12.5M). Whilst sales across the Group have been strong during first half of the financial year, the Global Financial Crisis that impacted new orders at the end of the previous financial year continued to adversely affect the recognisable revenue in the period. The loss from continuing operations after tax increased for the same period to $9.5M (2009: loss $7.4M). The profit from discontinued operations for the six months to 31 December 2010 was $5.0M (2009: loss of $0.4M), resulting in a loss for the period of $4.6M (2009: loss $7.8M). 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.

Expenses from continuing operations, excluding finance costs have increased to $21.0M (2009: $19.7M) during the period. The Consolidated entity's loss includes realised and unrealised foreign exchange losses of $0.4M (2009: loss of $0.6M) and finance costs of $0.8M (2009: $0.8M).

The Consolidated entity has continued to require additional funding during the period, which has been provided by CPS Group Investments Pty Ltd a.t.f Powerlan Investment Trust ("CPS"). The funding has supported the ongoing losses of the operating divisions and the working capital requirements of the business required to support the delivery of major customer projects.

The half-yearly report is to be read in conjunction with the most recent annual financial report.

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	(5.2)¢	(25.6)¢

Control Gained Over Entities Having Material Effect

Name of entity (or group of entities)	N/A
Date control gained	N/A
Consolidated profit since the date in the current period on which control was acquired	N/A
Loss of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

Loss of Control Gained Over Entities Having Material Effect

Name of entity (or group of entities)	N/A
Date control lost	N/A
Consolidated profit/(loss) for the current period to the date of loss of control	N/A
Profit/(loss) of the controlled entity (or group of entities) while controlled for the whole of the previous corresponding period	N/A

Details of Associates and Joint Venture Entities

Name of Entity	Percentage Held		Share of Net Profit	
	Current Period	Previous Period	Current Period	Previous Period
N/A				
Aggregate Share of Net Profits				

Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		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 4D

Attachment #	Details
1	Interim Financial Report

Signed By (Director/~~Company Secretary~~)	(~~Director~~/Company Secretary)
Dr Ian Campbell Sydney, 28 February 2011	Andrew Wrigglesworth Sydney, 28 February 2011

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2010.

Directors

The names of directors who held office during or since the end of the half-year are:
Dr Ian Campbell
Mr Geoff Harrington
Mr Ian Lancaster
Ms Fiona McLeod

Review of Operations

Financial Summary

Revenue from continuing operations for the six months ended 31 December 2010 increased by 2.8% to $12.8M (2009: $12.5M). Whilst sales across the Group have been strong during first half of the financial year, the Global Financial Crisis that impacted new orders at the end of the previous financial year continued to adversely affect the recognisable revenue in the period. The loss from continuing operations after tax increased for the same period to $9.5M (2009: loss $7.4M). The profit from discontinued operations for the six months to 31 December 2010 was $5.0M (2009: loss of $0.4M), resulting in a loss for the period of $4.6M (2009: loss $7.8M). 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.

Expenses from continuing operations, excluding finance costs have increased to $21.0M (2009: $19.7M) during the period. The Consolidated entity's loss includes realised and unrealised foreign exchange losses of $0.4M (2009: loss of $0.6M) and finance costs of $0.8M (2009: $0.8M).

The Consolidated entity has continued to require additional funding during the period, which has been provided by CPS. The funding has supported the ongoing losses of the operating divisions and the working capital requirements of the business required to support the delivery of major customer projects.

Powerlan Overview

Powerlan is a group of companies that focuses on creating and delivering software products and related services in areas where the consolidated entity owns intellectual property. These products and services are delivered through three operating divisions, each of which are separately incorporated and operates semi-autonomously from Powerlan.

Powerlan itself provides Head Office services including shared accommodation and services (human resources, financial and treasury management, payroll and IT infrastructure) to the operating divisions. Head Office also develops and oversees the implementation of common policies, processes, and procedures and ensures compliance in areas such as finance and administration, human resources, software development and project delivery.

Clarity

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

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

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

The Clarity Portfolio includes four suites of products:

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

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

ConverterTechnology

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

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

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

IMX Software

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

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

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

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

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 7 for the half year ended 31 December 2010.

Rounding off of Amounts

The Consolidated entity has applied the relief available to it in ASIC Class Order 98/0100 and accordingly certain amounts in the financial report and the directors' report have been rounded to the nearest thousand dollars.

The report is signed in accordance with a resolution of the Board of Directors.

Dr Ian Campbell
Director
Sydney, 28 February 2011

Chartered Accountants
& Business Advisers

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

To the Directors of Powerlan Limited:

As lead auditor for the review of Powerlan Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

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

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

PKF

Paul Bull
Partner

Sydney
28 February, 2011

POWERLAN LIMITED AND CONTROLLED ENTITIES

Condensed Consolidated Statement of Comprehensive Income

For the half year ended 31 December	***Note***	**Consolidated 2010 $'000**	**Consolidated 2009 $'000**
Revenue		12,807	12,458
Other income	***2***	139	727
Expenses, excluding finance costs	***3***	(20,968)	(19,653)
Finance costs		(833)	(808)
Loss from continuing operations before income tax		**(8,855)**	**(7,276)**
Income tax expense		(671)	(127)
Loss from continuing operations after income tax expense		**(9,526)**	**(7,403)**
Profit/(loss) from discontinued operations	***6***	4,950	(443)
Loss for the period		**(4,576)**	**(7,846)**
Other comprehensive income/(expense)			
Adjustments from translation of foreign controlled entities		(911)	(104)
Other comprehensive expense for the period, net of tax		(911)	(104)
Total comprehensive loss for the period		**(5,487)**	**(7,950)**
Loss attributable to:			
Members of parent entity		(4,576)	(7,530)
Minority interest		-	(316)
Loss for the period		**(4,576)**	**(7,846)**
		Cents	**Cents**
Total operations			
Basic/diluted earnings per share		(1.39)	(9.13)
Continuing Operations			
Basic/diluted earnings per share		(2.73)	(8.59)
Discontinued Operations			
Basic/diluted earnings per share		1.42	(0.54)
Dividends per ordinary share		-	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the attached notes.

POWERLAN LIMITED AND CONTROLLED ENTITIES

Condensed Consolidated Statement of Financial Position

	Consolidated	
As at	**31 December 2010 $'000**	**30 June 2010 $'000**
ASSETS		
Current Assets		
Cash and cash equivalents	3,945	5,458
Trade and other receivables	6,200	7,682
Inventories	2,648	5,995
Total Current Assets	**12,793**	**19,135**
Non-current Assets		
Property, plant & equipment	370	442
Intangible assets	14,433	14,457
Deferred tax assets	67	384
Total Non-current Assets	**14,870**	**15,283**
Total Assets	**27,663**	**34,418**
LIABILITIES		
Current Liabilities		
Trade and other payables	8,110	15,018
Short term provisions	1,490	1,645
Other current liabilities	4,932	4,353
Total Current Liabilities	**14,532**	**21,016**
Non-current Liabilities		
Trade and other payables	46	46
Provisions	359	360
Borrowings	16,282	11,065
Total Non-current Liabilities	**16,687**	**11,471**
Total Liabilities	**31,219**	**32,487**
Net Assets/(Liabilities)	**(3,556)**	**1,931**
EQUITY		
Issued capital	164,302	164,302
Reserves	(1,869)	(958)
Accumulated losses	(165,989)	(161,413)
Total Equity	**(3,556)**	**1,931**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the attached notes.

POWERLAN LIMITED AND CONTROLLED ENTITIES

Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December	**Issued Capital $'000**	**Foreign Currency Reserve $'000**	**Other Reserves $'000**	**Accumulated Losses $'000**	**Minority Interest $'000**	**Total $'000**
Balance at 1 July 2009	**148,935**	**1,077**	**-**	**(147,473)**	**316**	**2,855**
Loss attributable to members of the Parent entity	-	-	-	(7,530)	(316)	(7,846)
Adjustments from translation of foreign controlled entities	-	(104)	-	-	-	(104)
Total comprehensive income for the period	-	(104)	-	(7,530)	(316)	(7,950)
Equity transaction on acquisition of remaining interest in subsidiary	-	-	(1,520)	-	-	(1,520)
Balance at 31 December 2009	**148,935**	**973**	**(1,520)**	**(155,003)**	**-**	**(6,615)**
Balance at 1 July 2010	**164,302**	**562**	**(1,520)**	**(161,413)**	**-**	**1,931**
Loss attributable to members of the Parent entity	-	-	-	(4,576)	-	(4,576)
Adjustments from translation of foreign controlled entities	-	(911)	-	-	-	(911)
Total comprehensive income for the period	-	(911)	-	(4,576)	-	(5,487)
Balance at 31 December 2010	**164,302**	**(349)**	**(1,520)**	**(165,989)**	**-**	**(3,556)**

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the attached notes.

POWERLAN LIMITED AND CONTROLLED ENTITIES

Condensed Consolidated Statement of Cash Flows

For the half year ended 31 December	Note	Consolidated 2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		18,018	11,343
Payments to suppliers and employees (including GST)		(23,841)	(18,731)
Interest received	***2***	5	15
Finance costs		(115)	(5)
Net cash used in operating activities		**(5,933)**	**(7,378)**
Cash flows from investing activities			
Payment for property, plant & equipment		(80)	(59)
Payments for subsidiary and business, net of cash acquired		-	(1,520)
Net cash used in investing activities		**(80)**	**(1,579)**
Cash flows from financing activities			
Proceeds from borrowings		4,500	7,290
Net cash provided by financing activities		**4,500**	**7,290**
Net decrease in cash and cash equivalents		(1,513)	(1,667)
Cash and cash equivalents at the beginning of the period		5,458	2,228
Cash and cash equivalents at the end of the period		**3,945**	**561**

The Condensed Statement of Cash Flows should be read in conjunction with the attached notes.

POWERLAN LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the Condensed Consolidated Financial Report for the half year ended 31 December 2010

NOTE 1. BASIS OF PREPARATION

This condensed consolidated financial report for the half-year ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. It is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

This condensed consolidated financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Powerlan Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

(a) Dependence on funding from CPS

The Consolidated entity ("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 8. Notwithstanding the current and prior period losses and negative operating cash flows, Dr Ian Campbell, the Chairman of the Group and Chairman of CPS, has agreed to provide continued financial support. He has also advised that he will not require repayment of any of the outstanding debt until at least 29 February 2012. The directors are confident that the Company will achieve improved operating performance and cash flows in each of the business units over the period to 29 February 2012.

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

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

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

(b) Accounting Standards not previously applied

The group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period:

- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)*
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classified of Rights Issues [AASB 132] (effective from 1 February 2010)*
- AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments [AASB 1] (effective from 1 July 2010)*
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 201, AASB 202 & AASB 209] (effective from 1 July 2010)*

Adoption of these did not have any effect on the financial position or performance of the Company.

The Company has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

	Consolidated	
	31 December 2010 $'000	**31 December 2009 $'000**

NOTE 2. OTHER INCOME

Other income includes the following:		
Interest received	5	15
Sundry income	134	712
Total other income	**139**	**727**

NOTE 3. EXPENSES FROM CONTINUING OPERATIONS, EXCLUDING FINANCE COSTS

Expenses from continuing operations, excluding finance costs is comprised of the following:		
Employee benefit expenses	13,046	12,012
Cost of sales	3,552	2,628
Travel & accommodation	1,278	1,147
Administrative expenses	1,046	891
Lease rental expenses	702	775
Realised and unrealised foreign currency losses	421	624
Depreciation of property, plant & equipment	152	221
Amortisation of intangible assets	23	185
Professional fees	455	504
Other expenses	293	666
Total expenses from continuing operations, excluding finance costs	**20,968**	**19,653**

NOTE 4. DIVIDENDS PAID

Dividends per share paid during the period:		
Dividends per share	-	-
Total dividends paid	**-**	**-**

POWERLAN LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the Condensed Consolidated Financial Report for the half year ended 31 December 2010 (cont'd)

NOTE 5. SEGMENT INFORMATION

2010	Telecom Industry $'000	Financial Services $'000	Enterprise Management $'000	Other Segments $'000	Total $'000
Revenue	8,734	2,536	1,537	-	12,807
Loss from continuing operations after income tax	(7,234)	(1,981)	(311)	(911)	(10,437)
Gain from discontinued operations	-	-	-	4,950	4,950
Loss attributable to members of the parent entity	**(7,234)**	**(1,981)**	**(311)**	**4,039**	**(5,487)**

2009	Telecom Industry $'000	Financial Services $'000	Enterprise Management $'000	Other Segments $'000	Total $'000
Revenue	8,402	2,438	1,618	-	12,458
Loss from continuing operations after income tax	(4,768)	(1,787)	(549)	(299)	(7,403)
Loss from discontinued operations	-	-	-	(443)	(443)
Profit attributable to minority interest	316	-	-	-	316
Loss attributable to members of the parent entity	**(4,452)**	**(1,787)**	**(549)**	**(742)**	**(7,530)**

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

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

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

POWERLAN LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the Condensed Consolidated Financial Report for the half year ended 31 December 2010 (cont'd)

		Consolidated 31 December 2010 $'000	Consolidated 31 December 2009 $'000
NOTE 6. LOSS FROM DISCONTINUED OPERATIONS			
a)	***Discontinued operations***		
	Discontinued operations include expenses incurred by various non-operating companies within the Consolidated entity in Australia and Hong Kong		
b)	***Financial Performance***		
	Write back of liability no longer required	4,540	-
	Interest expense	-	(423)
	Other expenses	(4)	(20)
	Refund of overpayment of tax	414	-
	Total loss from discontinued operations	**4,950**	**(443)**
c)	***Cash flow information***		
	The net cash flows of the discontinued operations which have been incorporated into the cash flow statement are as follows:		
	Net cash used by operating activities	(4)	(20)
	Net cash used by discontinued operations	**(4)**	**(20)**
d)	***Carrying amounts of assets and liabilities***		
	Fair value of assets and liabilities of discontinued operations		
	Cash and cash equivalents	2	8
	Total assets	**2**	**8**
	Trade and other payables	623	5,909
	Total liabilities	**623**	**5,909**
	Net liabilities	**(621)**	**(5,901)**

POWERLAN LIMITED AND CONTROLLED ENTITIES

Notes to and forming part of the Condensed Consolidated Financial Report for the half year ended 31 December 2010 (cont'd)

NOTE 7. CONTINGENT LIABILITIES

There are no material changes to the contingent liabilities as set out in the Company's 2010 annual report.

NOTE 8. FUNDING FACILITIES

The Consolidated entity has no credit standby arrangements or used and unused loan facilities with any financial institution. Pursuant to a Loan Note Subscription Agreement dated 10 May 2005 ("Loan Agreement"), as amended, 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 is secured by a fixed and floating charge, established on 11 May 2005 and later amended on 28 December 2010. The Company has a facility of $20 million. Under the terms of the loan Agreement with CPS, 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 $20 million. The balance outstanding to CPS under the note at 31 December 2010 was $16.3 million (2009: $18.6 million) of which $13.5 million is principal (2009: $17.0 million). Under the terms of the facility (amended 28 December 2010) no payments are required until 29 February 2012. Further, CPS has indicated an intention to provide continued financial support. Subsequent to the balance date, the Company has borrowed a further $1.5 million.

NOTE 9. EVENTS SUBSEQUENT TO REPORTING DATE

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

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 '*Interim Financial Reporting*', the *Corporate Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Dr Ian Campbell
Director
Sydney, 28 February 2011

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Powerlan Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of Powerlan Limited which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises Powerlan Limited (the company) and the entities it controlled at 31 December 2010 or from time to time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Powerlan Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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Paul Bull
Partner

Sydney
28 February, 2011