Appendix 4E

Preliminary Final Report
to the Australian Stock Exchange

Part 1

Name of Entity	Vmoto Limited
ABN	36 098 455 460
Financial Year Ended	30 June 2012
Previous Corresponding Reporting Period	Financial year ended 30 June 2011

Part 2 – Results for Announcement to the Market

	$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from ordinary activities	8,242	15.9%
Loss from ordinary activities after tax attributable to members	(7,162)[1]	61.9 %
Net loss attributable to members	(7,162)[1]	61.9%

Note 1: Includes impairment of goodwill of $4,624,781.

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

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

Please refer to 2012 Annual Financial Report, as annexed, for commentary on the results for the year.

Part 3 – Part 14

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. Please refer to table below for specific information required by ASX Appendix 4E. Where the relevant information appears in the annexed 2012 Annual Financial Report, the applicable page cross reference is provided.

PART	INFORMATION	PAGE REFERENCE
Part 3	Statement of Comprehensive Income	Pages 29-30 and corresponding Notes
Part 4	Statement of Financial Position	Page 31 and corresponding Notes
Part 5	Statement of Cash flows	Page 32 and corresponding Notes
Part 6	Statement of Changes in Equity	Page 33
Part 7	Dividend or Distribution Details	Not applicable
Part 8	Dividend or Distribution Re-investment Plans	Not applicable
Part 9	Net tangible asset backing per ordinary security (cents):	
	2012: 0.90	
	2011: 1.22	
Part 10	Details of entities over which control has been gained or lost during period	Not applicable
Part 11	Details of associates and joint venture entities	Not applicable
Part 12	Any other significant information needed for an informed assessment of the entity's financial performance and financial position	See 2012 Annual Financial Report generally
Part 13	Accounting Standards used by Foreign Entity	Not applicable
Part 14	Commentary on Results:	See 2012 Annual Financial Report generally, and:
	Earnings per security	Page 30
	Returns to shareholders	Not applicable
	Significant features of operating performance	See 2012 Annual Financial Report generally
	Segment Results	Page 55

Trends in performance	See 2012 Annual Financial Report generally
Any other factors affecting results for the period	See 2012 Annual Financial Report generally

Part 15 – 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	

Part 16

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:

Not applicable

Part 17

If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:

Not applicable

V M O T O   L I M I T E D

A B N   36 098 455 460

2012 ANNUAL FINANCIAL REPORT

CORPORATE DIRECTORY

Directors

Mr Yi Ting (Charles) Chen – Managing Director
Mr Blair Sergeant – Non-Executive Director
Mr Oliver (Olly) Cairns – Non-Executive Director
Mr Kai Jian (Jacky) Chen – Non-Executive Director

Company Secretary

Ms Shannon Coates

Principal and Registered Office

Ground Floor, 3 Richardson Street
West Perth Western Australia 6005

Telephone: +61 8 9221 6175
Facsimile: +61 8 9486 1258

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
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Perth Western Australia 6000

Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Websites

www.vmoto.com
www.vmotoltd.com

Auditors

William Buck Audit (WA) Pty Ltd
Level 3, South Shore Centre
83 South Perth Esplanade
South Perth Western Australia 6151

Bankers

National Australia Bank
1238 Hay Street
West Perth Western Australia 6005

Solicitors

Gilbert + Tobin
1202 Hay Street
West Perth Western Australia 6005

Haworth & Lexon Lawyers
Level 12, 87-89 Liverpool Street
Sydney New South Wales 2000

Securities Exchange

Australian Securities Exchange
Level 8, Exchange Plaza
2 The Esplanade
Perth Western Australia 6000

ASX Code: VMT

Vmoto Limited is a public company listed on the Australian Securities Exchange and incorporated in Western Australia.

CONTENTS

MANAGING DIRECTOR'S LETTER

The 2012 financial year has been a turnaround year for Vmoto following the turbulence of 2011. The Company achieved total sales of A$8.2 million, an increase of 15.9% compared to the 2011 financial year, and continues to achieve higher sales despite the global financial crisis. Vmoto also achieved positive operating cash flows for the December 2011, March 2012 and June 2012 quarters consecutively.

The Company reports a net loss for the 2012 financial year of A$2.5 million (excluding impairment of goodwill), which represents a reduction of approximately 42.7% when compared to the loss for the 2011 financial year.

With the strengthening and stabilising of the Board, including the appointments of Olly Cairns, Blair Sergeant and Jacky Chen, the executive management team in China and Europe has been able to focus its time on nurturing and expanding our already significant international customer and distribution base as we strive to further consolidate our position in the electric scooter market. According to independent research published by Pike Research LLC in the US, this market is expected to increase from global demand of less than 20 million units per annum in 2011 to 120 million units per annum in 2017.

With the Company's facility in Nanjing having a manufacturing space of over 30,000 square metres and the ability to produce 150,000 finished units and 150,000 engines per annum, Vmoto is now well positioned to service its growing international customer base and with the foundations in place, the Company has a real opportunity to be at the forefront of this 'electric revolution' in the coming years.

The decision to move into the electric scooter market has never been more justified, as is demonstrated in the continued interest the Company receives from significant B2B customers around the world who are seeking more cost efficient and environmentally friendly means of transporting goods and providing services.

The Company has now built up one of the widest global distribution networks of any electric scooter manufacturer in the world, being represented by more than 26 distributors in 26 countries in the geographic regions of Australia and New Zealand, Asia, Europe, South America, South Africa and the USA. This is a significant achievement in only 3 years. New countries where distributors were secured this year include Denmark, Belgium, Brazil, Columbia, Hong Kong and Lebanon and we already have plans in motion to expand into rapidly growing markets such as India, Indonesia and Egypt.

With increased distribution networks and new customers, orders for electric scooters (including trial scooters) totalled approximately 4,500 units for the financial year (with 4,300 units produced), up 86.4% on 2011 sales. This growth is significant in light of the difficult market conditions globally for retail businesses, where many have reported a drop in sales. Importantly, despite what would appear to be small sales at this time, Vmoto E-Max is now the number 1 selling brand in Europe and well positioned to increase this foothold as the market grows. Given the Company only needs to produce 8,200 units per annum to breakeven, we believe we are on track to profitability in the near future.

More and more international business groups such as postal services, couriers and delivery companies, fast food companies and Government fleets continue to evaluate our products. However, any significant fleet change from petrol to electric takes time: from the initial trialling of new bikes, to making adaptations where required, to ensuring compliance with the relevant domestic authorities. New significant customers who ordered Vmoto or E-Max electric scooters during the year included E.ON in the Czech Republic and Sweden, Correios in Brazil, Eclimo in Malaysia and Dominos Pizza in Australia. Whilst some of these are only trial orders, we are greatly encouraged by the interest shown across our 7 electric models, which also goes a long way to validate where the electric scooter and transportation market is heading.

No more so was this highlighted than with the Strategic Cooperation Agreement with Shanghai PowerEagle announced on 3 July 2012, under which the Company will manufacture PowerEagle's electric scooters on an Original Equipment Manufacturer basis, which according to PowerEagle's forecasts could be up to 270,000 units from late 2012 until the end of 2015. If PowerEagle's forecasts are achieved, this contract would be worth up to A$86 million in revenue to the Company. Over and above the potential dollar value this transaction may deliver, it also highlights the value of the Company's Chinese manufacturing licence and represents the start of Vmoto's expansion into the Chinese domestic market, by far the biggest electric 2 wheel market in the world.

As the customers and markets evolve, so too do our products through continuing development of new models for the global markets. Technology used in the electric scooter business also continues to evolve, particularly battery technology, which is the most important aspect of any electric scooter. Vmoto's new developments over the year have included the design of a low cost scooter for the Chinese domestic market and the potential establishment of an electric scooter battery rental business.

In summary, the above demonstrates how far the Company has progressed since it changed its strategy to focus on the electric scooter market. An enormous amount of work has been put in by all involved in the Company over the last 12 months, which has positioned it strongly for further growth.

We look forward to welcoming shareholders to the AGM.

Yours sincerely

Charles Chen
Managing Director

OVERVIEW

As with 2011, the financial year ending 30 June 2012 proved to be another very busy one in the growth of Vmoto Limited as it moved to cement its position as a leader in the electric scooter design and manufacturing industry.

The Company's Board was refreshed with the appointment of new Non-Executive Directors Mr Oliver ("Olly") Cairns, Mr Kai Jian ("Jacky") Chen and Mr Blair Sergeant. Collectively, the new Directors bring significant experience in the scooter design and manufacture, finance and corporate advisory industries. Following their appointment, the Company has focussed on moving past the turbulence surrounding the previous Board and former major shareholders, and progress the Company's strategy of developing and manufacturing its electric scooter range, while increasing its market share and setting the foundations to achieve profitability for the business in future years.

During the year the Company developed 3 new models of electric scooter. In addition, it has continued to work on improving a new lithium battery for use in the 120L model of electric scooter, to provide better performance. Further, the Company expanded its distribution network significantly and now has the widest global distribution networks of any electric scooter manufacturer, being represented in a total of 26 countries in the geographic regions of Australia and New Zealand, Asia, Europe, South America, South Africa and the USA.

During the year, the Company received orders for approximately 4,500 units of electric scooters and manufactured a total of approximately 4,300 units of electric scooters. The Company also sought to tap into the huge potential of the Chinese domestic market with the entry into a Strategic Cooperation Agreement to manufacture for Shanghai PowerEagle International Co Ltd ("PowerEagle") on an Original Equipment Manufacturer ("OEM") basis. This agreement has the potential to deliver up to A$86m in revenue between commencement and 2015, and therefore represents a significant milestone for the Company.

The Company was operationally cash flow positive for 3 of 4 quarters of the 2012 financial year. Overall, the Company reports a net loss for the 12 month period of A$2.5 million (excluding impairment of goodwill), which represents a 42.7% decrease in the loss compared to 2011.

DESIGN AND PRODUCT DEVELOPMENT

Electric Scooters

Recognising that electric scooters and motorcycles have been identified as the fastest growing segment in the motorcycle industry[1], Vmoto continued to focus on the establishment of the Company as a major player in the electric scooter market.

Following the purchase of electric scooter manufacturer, E-Max of Germany in 2010 and the transfer of the E-Max manufacturing capacity to Vmoto's manufacturing facility in Nanjing, China, Vmoto E-Max is now the number 1 selling brand in Europe and a world leader in electric scooter development and sales. The Company now has in excess of 26 distributors of its electric products in 26 countries.

The Vmoto 110s electric scooter is now the single biggest selling electric scooter in Europe and as electric vehicles become more popular, Vmoto envisages sales increasing substantially in 2013 and beyond.

During the year, in collaboration with KLD Energy Technologies of Texas USA, the Company designed a high range lithium battery version of its electric scooter, which was launched into the Asian markets, and also designed a new version of the 80L electric scooters.

[1] Pike Pulse Report: Electric Motorcycles and Scooters, by Pike Research LLC, a market research company based in United States.

The Company also developed a low cost version of its 80L electric scooter to target the lower end of the market and has already received orders for this low cost version for the Netherlands market. When significant economy of scale is achieved, the Company expects to target the Chinese domestic electric scooter market.

Petrol Scooters

While the Company's long term strategic focus is on electric scooters, it continues to manufacture and deliver petrol scooters to its existing customers.

Scartt

The Vmoto AWD Scartt 4 wheel vehicle has also penetrated the very competitive ATV market with particular success in New Zealand where it has achieved encouraging sales. The sales of Vmoto AWD Scartt 4 wheel vehicle products in Egypt and Brazil are now starting and the Company is excited and confident about the prospect of this product in these markets.

SALES AND DISTRIBUTION

During the reporting period, the Company supplied its products to some of the world most prestigious customers. These included:

- DAO Distribution (Denmark);
- Correos (Spain);
- Correios (Brazil);
- E.ON (Czech Republic and Sweden);
- TNT Post (Italy);
- TNT Post (Germany);and
- South Africa Post Office.

Post the end of the financial year, the Company also entered into a Strategic Co-operation Agreement with PowerEagle in Shanghai pursuant to which Vmoto has agreed to produce all of PowerEagle's electric vehicle models on an OEM basis. PowerEagle is a Chinese company specialising in the manufacture and development of electric bicycles, electric scooters, electric motorcycles and go carts, selling domestically within China and into 30 countries worldwide. Assuming PowerEagle's sales reach the 270,000 units it has forecast from 2012 to 2015, Vmoto will generate approximately $86 million in revenue by the end of 2015.

An overview of sales and distribution activities during the year, by geographic region, follows:

EUROPE

Denmark: In July 2012, DAO, the largest newspaper delivery company in Denmark, ordered its 5th and 6th containers of electric scooters, bringing the total units ordered to 208 scooters in the seven month period to July 2012. In addition, 7 units have been ordered by the Danish Fire Department to begin trials.

Belgium: Vmoto's Belgium distributor modified 2 samples of the 120LD+ model for submission to Belgium Post's public tender for the purchase of up to 3,000 units of electric scooters over a 3 year period. Testing begins in September 2012. In addition, more than 100 units have been sold in 2012 by our distributor into its newly established dealer network.

Czech Republic and Sweden: E.ON (one of the largest investor owned power and gas companies in the world, with 79,000 employees and turnover of €113bn in 2011) made their first order in 2012 for over 100 units for distribution to key customers in Czech Republic and Sweden

Germany: Units were also sold to E.ON Germany, which itself has over 20 million customers, for internal use. Sales to its customers (Business to Business ("B2B") and private) are planned to begin in 2013.

Further, TNT Post began trials with a specially adapted 110LD model of electric scooter. A meeting has been called by them to discuss their first orders in September 2012.

Italy: During the year, 126 units were ordered by the Company's Italian distributor for supply to TNT Post, Italy and other B2B customers. Our distributor expects to place order for at least another 300 units before the end of 2012.

Monaco: Following a six month assessment of all major electric scooter manufacturers, Vmoto was formally selected by the Principality of Monaco to be their official supplier of electric scooters. Initial orders are now being discussed with a view to these arriving for the 2013 season start.

Netherlands: Domino's Pizza in the Netherlands ordered a 110LD+ electric scooter sample for trial. A further 22 units have been ordered for other key B2B customers to trial.

Slovenia: Vmoto's Slovenian distributor entered the Slovenia Post tender for electric scooters and their trials continue. A further 17 units have been ordered for trials with other B2B customers and to begin their dealer network.

Croatia: Vmoto's Croatian distributor won a contract with Valmar, a large leisure group consisting of 22 hotel, 8 resorts and 9 campsites. To date, 8 units have been provided to Valmar. A further 17 units have been ordered for other customers to begin trials including several other hotel groups.

Finland: Itella (Finland Post) began using 12 units of specially adapted 90s scooters in their daily operation. Further orders are now being discussed.

AUSTRALIA AND NEW ZEALAND

As announced during the year, Vmoto has provided sample electric scooters to Domino's Pizza Australia. Initially, 12 units of sample electric scooters were provided however, more recently, the Company's Australian distributor has received a sample of a delivery version electric scooter powered by lithium batteries, and is working alongside with Dominos to provide longer range and greater performance for delivery than the standard silicon battery powered electric scooter. Discussions with Dominos continue.

UNITED STATES

EPA homologation is in process with respect to the Scartt 600cc EFI sample, which was provided to the USA distributor earlier in calendar year 2012. It is expected the homologation and certification will be completed in fourth quarter of 2012.

SOUTH AMERICA

Brazil: Vmoto has provided samples, including delivery version electric scooters, to the Brazilian Post and Telegraph Corporation ("Correios"), one of the largest state owned companies in South America, which is responsible for the national postal service of Brazil.

Colombia: The 12 month trial by one of the leading energy companies continues to be progressed by the Company's distributor, Auteco, which controls more than 85% of the entire Colombian 2 wheel market and which continues to work closely with Vmoto to "nationalise" the E-MaX scooters for use on Colombian roads. Orders are expected in 2013.

ASIA

China: As noted above, the Company has entered a strategic cooperation agreement with PowerEagle to manufacture PowerEagle's electric scooters on an OEM basis with forecast units of up 270,000 units until the end of 2015.

Malaysia: During the year, the Company commenced shipments of its 120S electric scooter to Malaysian electric vehicle company, Eclimo Sdn Bhd. Vmoto supplied a total of approximately 87 units of its rolling frames in completely knocked down form, and it is anticipated that a further supply agreement will be negotiated.

Vietnam: As reported previously, the anticipated large scale sales to the Vietnamese customer were significantly delayed as a result of the third party manufactured EFI system implemented on the Company's bikes being unsuitable to Vietnamese road conditions in its current configuration, with major remanufacturing required. New EFI units were sent to Vietnam and retro fitted to the scooters and customer feedback was positive.

OTHER

South Africa: During the year, Vmoto shipped its first complete container of E-Max scooters to its South African distributor, Imperial Green Mobility which has dedicated a large team to E-Max sales. Trials of the 120LD model have begun with several large food delivery companies, including Debonairs Pizza, the leading pizza delivery company in Africa. Imperial Green Mobility have introduced a finance package for all B2B customers which, due to much lower running costs of E-Max scooters, gives significant savings over their existing petrol scooter fleets.

In addition, South Africa Post Office tested 5 units of the 120SD model in their daily operations in Pretoria. The trial was successful and an order is expected to be formalised in Q4 2012.

EXHIBITIONS

The Company showcased its products at a number of exhibitions during the year.

In November 2011, the Company exhibited at EICMA, the most significant exhibitions for motorcycles and scooters, in Milan, Italy.

In March 2012, Vmoto's French distributor attended the EVER Monaco ecological vehicle international exhibition, where the EMAX 110LD+ won the endurance test and acceleration test in the moped category from all electric vehicles in this category present. Vmoto also exhibited at eCarTec, Paris, France exhibition.

Vmoto's Brazilian distributor displayed the Company's E-Max electric scooters at the 5th Edition of the ECO Business Exhibition, held in Sao Paulo, Brazil in August 2012, an event which was sponsored by major energy players in Brazil. Five of these companies also chose to display Vmoto products on their own booths.

Over the upcoming months, the Company will also exhibit at the Post Expo to be held in Belgium, Brussels, in September 2012 and at INTERMOT, the largest motorcycle and scooter show in the world this year, to be held in Cologne, Germany in October 2012.

MANUFACTURING

Nanjing Manufacturing Facility

The Company's manufacturing facility in Nanjing, China, Stage 2 of which was completed in the period, comprises facilities built expressly for the manufacture and development of electric scooters. The floor area of nearly 30,000 square metres consists of a four storey distribution centre and a two story staff cafeteria and training area. The spare parts warehouse has been fitted out and is operational.

To house the manufacturing required as a result of the Strategic Cooperation Agreement with PowerEagle, the Company intends to complete the outstanding fit out and the production lines in Stage 2 of the Manufacturing Facility.

Importantly, the Nanjing Manufacturing Facility infrastructure is all in place to be able to cope with order book from the likes of PowerEagle and other existing customers as well as Company's foreseeable pipeline of new business. Annual production capacity at the facility is 150,000 scooters and 150,000 engines per annum.

CASH FLOW AND FUNDING

Bank Facility Update

The Company has an operating facility established with its local bank in Nanjing with a maximum available draw down of RMB34.0 million (approximately A$5.2 million). During the year, the Company drew down a total of RMB22.9 million (approximately A$3.5 million) from its operating facility and repaid a total of RMB15.0 million (approximately A$2.3 million). At 30 June 2012, the operating facility was drawn down by RMB22.9 million (approximately A$3.5 million) with available undrawn funds of RMB11.1 million (approximately A$1.7 million).

The current interest rate for the operating facility stands at 8.5% per annum.

Rights Issue

During the fourth quarter of the 2012 financial year, the Company conducted a pro rata, non-renounceable rights issue on the basis of one new share for every two fully paid ordinary shares held on 26 April 2012 at an issue price of $0.012 per share, and one free attaching option (exercisable at $0.04 and expiring on 31 December 2014) for every new share issued. The Company raised approximately A$1 million.

CORPORATE

As mentioned above, the Company's Board was refreshed during the financial year, with the appointment of Mr Olly Cairns and Mr Jacky Chen on 1 September 2012 and the appointment of Mr Blair Sergeant on 18 January 2012. Vmoto believes that with the combined experience, qualifications and networks in the motorcycle design and manufacturing, finance and corporate advisory industry, these new directors will add significant value to the Board and the Company going forward.

Non-executive Director Mr Trevor Beazley resigned as a director on 18 January 2012.

On 6 July 2012, the Company announced that it had appointed Mr George Hou as General Manager to its manufacturing facility in Nanjing, China. Mr Hou has a technical background, having completed a Bachelors Degree in Motor Vehicle Design and Manufacturing at Wuhan University of Technology in China and has approximately 17 years of management experience in the electric vehicle manufacturing industry in China.

OUTLOOK

There is no doubt the 'Electric Revolution' is gathering pace as companies internationally look to reduce their carbon emissions and seek cheaper and cleaner ways to transport goods and people and the Board and management have worked extremely hard during the year to progress the Company's position within the global electric scooter market. With its own manufacturing facility in China, an established global customer and distribution base, Vmoto can regard itself as a leader in the electric scooter design and manufacturing industry. It continues with its strategy to expand its relationships with key existing and potential customers in order to satisfy each customer's specific electric transportation requirements, to secure ongoing business, and ultimately, to achieve profitability.

The Company is confident that it now has the infrastructure, expertise and experience required to achieve this strategy and looks forward to pursuing this in 2013 and beyond.

The Directors present their report together with the consolidated financial statements of Vmoto Limited ("Vmoto" or the "Company") and its controlled entities (the "Consolidated Entity") for the financial year ended 30 June 2012.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name	**Experience and responsibilities**
Yi Ting (Charles) Chen **Managing Director**	Mr Chen was appointed as Executive Director on 5 January 2007 and Managing Director of the Company on 1 September 2011. Mr Chen founded Freedomotor Corporation Limited in 2004, through a management buyout of key assets, which were subsequently acquired by Vmoto. He holds a Bachelor of Automobile Engineering from Wuhan University of Automobile Technology (China) and a postgraduate Diploma of Business Administration from South Wales University (UK). From 1993 to 2002, Mr Chen held senior executive roles with Hainan Sundiro Motorcycle Company Limited, the largest publicly listed industrial company in Hainan Province. Hainan Sundiro was acquired by Honda Japan in 2001. Mr Chen is based in Nanjing, China, and oversees all Chinese operations and activities.
Blair Sergeant **Independent** **Non-Executive Director**	Mr Sergeant was appointed as Non-Executive Director of the Company on 18 January 2012. He is a former director of Vmoto (2004 to 2009) and was instrumental in the Company being acquired by the then Optima Corporation Limited in 2006. Mr Sergeant holds a Bachelor of Business and a Post Graduate Diploma in Corporate Administration, both from Curtin University, Western Australia. He is a member of the Institute of Chartered Secretaries & Administrators and Chartered Secretaries Australia and an Associate of the Australian Society of Certified Practising Accountants. Mr Sergeant's experience includes senior management and executive positions with numerous listed public companies across a broad spectrum of industry internationally. He is currently Managing Director of ASX listed Lemur Resources Limited. Mr Sergeant will be retiring and seeking re-election by shareholders at the Company's 2012 Annual General Meeting.
Oliver (Olly) Cairns **Independent** **Non-Executive Director**	Mr Cairns was appointed as Non-Executive Director of the Company on 1 September 2011. Mr Cairns has over 12 years experience in the small-mid cap corporate and capital markets space, having joined Blue Oar Securities Plc (now Northland Capital) in July 1999, and was a corporate financier and Nominated Adviser for AIM companies in London for over 8 years. In London, he was responsible for floating and advising several resources and industrial companies before relocating to Perth in June 2007. In May 2009, Mr Cairns set up Pursuit Capital, a corporate advisory and investment house, which is focussed on long term corporate, capital and strategic involvement with junior international companies. Mr Cairns will be retiring and seeking re-election by shareholders at the Company's 2012 Annual General Meeting.

Kai Jian (Jacky) Chen **Independent Non-Executive Director**	Mr Chen was appointed as Non-Executive Director of the Company on 1 September 2011. Mr Chen has extensive experience in the motorcycle manufacturing industry in China. He was formerly vice president of Hainan Sundiro Motorcycle Co, which was the second largest motorcycle manufacturer in China at the time, and which was subsequently acquired by Honda in 2001. Mr Chen also served as vice president for Changzhou Supaiqi E-Vehicle Co, Ltd for 5 years. Currently Mr Chen is vice president of Xinri E-Vehicle Co, Ltd, which is one of the largest E-vehicle manufacturers in China at present. The annual production of Xinri in 2010 was over 2 million units of electric bicycles and scooters for the Chinese domestic market.
Company Secretary Shannon Coates	Ms Coates was appointed as Company Secretary on 10 May 2007. Ms Coates completed a Bachelor of Laws through Murdoch University in 1993 and has since gained over 18 years in-house experience in corporate law and compliance for public companies. She is a Chartered Secretary and an Associate Member of both the Institute of Chartered Secretaries & Administrators and Chartered Secretaries Australia. Ms Coates is currently employed as Legal & Compliance Counsel with Evolution Capital Partners, a company providing corporate advisory services and is also company secretary to a number of ASX, JSE and AIM listed companies.

Director Resignations

Shannon Coates **Non-Executive Director, resigned on 1 September 2011**	Ms Coates was appointed Non-Executive Director of the Company on 21 June 2011 and resigned on 1 September 2011. A summary of Ms Coates' qualifications and experience appears above.
Trevor Beazley **Non-Executive Director, resigned on 18 January 2012**	Mr Beazley was appointed as Non-Executive Director of the Company on 26 October 2006 and resigned on 18 January 2012. Mr Beazley holds a Bachelor of Business degree in Accounting, along with over 15 years experience in capital markets. He is the founder and Managing Director of Perth based corporate advisory firm Maiden Capital, specialising in ASX listings and capital raisings. Mr Beazley also acts as non-executive director of Coretrack Limited, an ASX listed company providing leading R&D based technological solutions to the global oil and gas industry.

Directorships in other listed entities

Directorships in other listed entities held by Directors of the Company during the last 3 years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship From	To
Mr Charles Chen	-	-	-
Mr Blair Sergeant	Lemur Resources Limited	2011	Present
	Compass Hotel Group Limited	2010	Present
	Coal of Africa Limited	2004	2011
	Ram Resources Limited	2008	2010
Mr Olly Cairns	-	-	-
Mr Jacky Chen	-	-	-

Directors' Meetings

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the year ended 30 June 2012 are:

	Board Meetings	
Director	Held while Director	Attended
Mr Charles Chen	12	11
Mr Blair Sergeant	5	5
Mr Olly Cairns	11	11
Mr Jacky Chen	11	0
Mr Trevor Beazley	7	7
Ms Shannon Coates	1	1

There is presently no separate audit committee as all audit issues are addressed by the full Board.

Principal Activity

The principal activity of the Consolidated Entity during the year ended 30 June 2012 was the development and manufacture, and international marketing and distribution of electric powered scooters, petrol scooters and all terrain vehicles.

Operating and Financial Review

Results

The Consolidated Entity incurred a loss of A$7,162,129 (2010: A$4,424,544) after income tax for the year ended 30 June 2012, which included an impairment of goodwill of $4,624,781. The loss after tax for the year ended 30 June 2012 excluding the impairment of goodwill is $2,537,348.

Operating review

A review of operations for the financial year is set out in the Operations Review preceding the Directors' Report.

Significant Changes in the State of Affairs

Total consolidated sales of A$8.2 million were recorded for the Consolidated Entity during the financial year. The revenue of the Consolidated Entity has increased by 16%, largely as a result of the increased sales of the Company's electric powered scooter products in Europe and the United States.

The Consolidated Entity's net assets have decreased by A$5.4 million during the year ended 30 June 2012 mainly due to the impairment of goodwill on the acquisition of Freedomotor Corporation Limited of A$4.6 million.

Fully paid ordinary share capital increased during the year as follows:
- On 21 November 2011, 40,383,559 shares at a deemed issue price of A$0.02 per share were issued on conversion of a loan of RMB5 million (A$787,166) and accrued interest of approximately RMB130,246 (A$20,505) (exchange rate of A$:RMB 6.3519);
- On 28 May 2012, 59,642,450 shares were issued pursuant to the Company's pro rata non renounceable rights issue on the basis of one new share for every two fully paid ordinary shares held on 26 April 2012, at an issue price of A$0.012 per new share, and one free attaching option (exercisable at $0.04 and expiring on 31 December 2014) for every one new share issued, raising an amount of A$715,710.
- On 5 June 2012, 25,957,341 shares were issued pursuant to allotment of shortfall of the Company's pro rata non renounceable rights issue on the basis of one new share for every two fully paid ordinary shares held on 26 April 2012, at an issue price of A$0.012 per new share, and one free attaching option (exercisable at $0.04 and expiring on 31 December 2014) for every one new share issued, raising an amount of A$311,488.

Other than the above, there was no significant change in the state of affairs of the Consolidated Entity during the financial year.

Review of Financial Condition

The Consolidated Entity had the following interest bearing liabilities as at 30 June 2012:
- Bank operating facility of A$3,535,260 including interest accrued.

Impact of legislation and other external requirements

The Consolidated Entity's operations are not subject to any significant environmental regulations. The Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the Consolidated Entity.

Clean Energy Legislative Package

The Clean Energy Legislative Package, which included the Clean Energy Act 2011, was passed by the Australian Government in November 2011. It sets out the way that the government will introduce a carbon price to reduce Australia's carbon pollution and move to a clean energy future.

The Consolidated Entity's manufacturing activities are primarily carried out in China and the Directors believe that the Group will not be significantly affected by this legislation passed. The Consolidated Entity has not incorporated the effect of any carbon price implementation in its impairment testing at 30 June 2012.

The Directors' view is that there were no changes in environmental or other legislative requirements during the year that have significantly affected the results or operations of the Consolidated Entity.

Dividends

No dividend has been declared or paid by the Company to the date of this Report in respect of the year ended 30 June 2012 and the year ended 30 June 2011.

Events Subsequent to Balance Date

Strategic Co-operation Agreement with PowerEagle

On 3 July 2012, the Company announced it had entered into a Strategic Co-operation Agreement with Shanghai PowerEagle International Co. Ltd ("PowerEagle") pursuant to which Vmoto has agreed to produce all of PowerEagle's electric vehicle models on an Original Equipment Manufacturer ("OEM") basis. PowerEagle is a Chinese company specialising in the manufacture and development of electric bicycles, electric scooters, electric motorcycles and go carts, selling domestically within China and into 30 countries internationally.

Appointment of experienced General Manager

On 6 July 2012, the Company announced that it had appointed Mr George Hou as General Manager to its manufacturing facility in Nanjing, China. Mr Hou has a technical background, having completed a Bachelors Degree in Motor Vehicle Design and Manufacturing at Wuhan University of Technology in China and has approximately 17 years of management experience in the electric vehicle manufacturing industry in China.

Performance Rights

On 6 August 2012, following shareholder approval at the Company's general meeting held on 31 July 2012, the Company granted a total of 32,000,000 performance rights to Directors Charles Chen, Blair Sergeant and Olly Cairns.

The performance rights comprise:

a) 2,000,000 performance rights issued to Mr Blair Sergeant pursuant to his Non-Executive Director Appointment Agreement; and
b) 30,000,000 performance rights issued under the Company's Performance Rights Plan (10,000,000 each to Mr Charles Chen, Mr Blair Sergeant, Mr Olly Cairns).

All performance rights convert to fully paid ordinary Shares for nil cash consideration, subject to performance based vesting conditions (as set out in Note 25 of the notes to the financial statements). At the date of this report, performance rights over unissued ordinary shares of the Company are:

Expiry Date	Exercise Price	Number
18 January 2013	Nil	2,000,000
31 December 2013	Nil	9,000,000
31 December 2014	Nil	9,000,000
31 December 2015	Nil	12,000,000

Other than the above and as noted elsewhere in the financial statements, 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 Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

Change of Financial Year End

The Company announced on 13 August 2012 that it will change its financial year end from 30 June to 31 December, effective from 31 December 2012. The Directors believe it is in the best interests of the Company to make the change which will see Vmoto align its financial year end with that of its Chinese subsidiaries, which together form the most part of the Company's consolidated financial statements.

Likely Developments

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years are discussed in the Operations Review.

Directors' Interests

The relevant interests of each Director in the shares, options and performance rights issued by the Company at the date of this report are as follows:

Director	Ordinary shares	Options	Performance Rights
Mr Charles Chen(1)	39,664,578	15,221,526	10,000,000
Mr Blair Sergeant(2)	7,741,360	6,147,118	12,000,000
Mr Olly Cairns (3)	9,488,888	8,141,527	10,000,000
Mr Jacky Chen (4)	2,777,777	-	-

1.1 11,374,578 shares and 10,000,000 performance rights are held directly by Mr Charles Chen.
1.2 28,290,000 shares, 2,000,000 Class options exercisable at $0.20 each on or before 30 September 2012, 3,791,526 options exercisable at $0.04 each on or before 31 December 2014 and 9,430,000 options exercisable at $0.04 each on or before 31 December 2014 are held indirectly by Mr Chen's spouse, Hui Xin Zhou.
2.1 5,734,836 shares and 1,911,611 options exercisable at $0.04 each on or before 31 December 2014 are held directly by Mr Blair Sergeant.
2.2 1,876,524 shares, 2,000,000 options exercisable at $0.20 each on or before 30 September 2012, 1,500,000 options exercisable at $0.025 each on or before 1 September 2014, 625,507 options exercisable at $0.04 each on or before 31 December 2014 and 12,000,000 Performance Rights are held indirectly by Mr Blair Edward Sergeant and Ms Bronwyn Gaye Lukic as trustees for the Rio Grande do Norte Super Fund. Mr Sergeant is a beneficiary of the Rio Grande do Norte Super Fund.
2.3 130,000 shares and 110,000 options exercisable at $0.04 each on or before 31 December 2014 are held indirectly by Mr Sergeant's spouse, Ms Jodi-Lee Bevan.
3.1 1,488,888 shares are held directly by Mr Olly Cairns.
3.2 8,000,000 shares, 3,141,527 options exercisable at $0.09 cents each on or before 14 July 2013, 5,000,000 options exercisable at $0.04 each on or before 31 December 2014 and 10,000,000 Performance Rights are held indirectly by Silverlight Holdings Pty Ltd as trustee for Cairns Investment trust. Mr Cairns is a beneficiary of the Cairns Investment trust.
4 2,777,777 shares are held directly by Mr Kaijian Chen.

Options

On 1 September 2011, the Company granted 8,500,000 options (exercisable at $0.025 each on or before 1 September 2014) to certain employees and consultants pursuant to the Company's Employee Share Option Plan.

On 28 May 2012, 59,642,450 options (exercisable at $0.04 and expiring on 31 December 2014) were issued pursuant to the Company's pro rata non renounceable rights issue.

On 5 June 2012, 25,957,341 options (exercisable at $0.04 and expiring on 31 December 2014) were issued pursuant to the allotment of shortfall of the Company's pro rata non renounceable rights issue.

At the date of this report, options over unissued ordinary shares of the Company are:

Grant Date	Vesting Date	Expiry Date	Exercise Price	Number
28November 2007	28 November 2007	30 September 2012	20 cents	9,000,000
15 July 2008	15 July 2008	14 July 2013	9 cents	3,241,527
1 September 2011	1 September 2012	1 September 2014	2.5 cents(a)	8,500,000
28 May 2012	28 May 2012	31 December 2014	4 cents	59,642,450
5 June 2012	5 June 2012	31 December 2014	4 cents	25,957,341

The holders of these options do not have the right to participate in any share issue or interest issue of the Company or any other entity.

Performance Rights

On 6 August 2012, following shareholder approval at the Company's general meeting held on 31 July 2012, the Company granted a total of 32,000,000 performance rights to Directors Charles Chen, Blair Sergeant and Olly Cairns.

The performance rights comprise:

a) 2,000,000 performance rights issued to Mr Blair Sergeant pursuant to his Non-Executive Director Appointment Agreement; and
b) 30,000,000 performance rights issued under the Company's Performance Rights Plan (10,000,000 each to Mr Charles Chen, Mr Blair Sergeant, Mr Olly Cairns).

All performance rights convert to fully paid ordinary shares for nil cash consideration, subject to performance based vesting conditions (as set out in Note 25 of the notes to the financial statements). At the date of this report, performance rights over unissued ordinary shares of the Company are:

Expiry Date	Exercise Price	Number
18 January 2013	Nil	2,000,000
31 December 2013	Nil	9,000,000
31 December 2014	Nil	9,000,000
31 December 2015	Nil	12,000,000

Indemnification and Insurance of Officers

Indemnification

The Company has agreed to indemnify the current Directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet, to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

The Company has not agreed to indemnify their current auditors, William Buck Audit (WA) Pty Ltd.

Insurance Premiums

As at the date of this report, a Directors and Officers insurance policy has been secured. The insurance premium for this policy during the financial year was A$20,000.

Contingent Liabilities

The Company is currently a defendant in two proceedings brought against the Company by a former employee in relation to the employee's past employment. Having considered legal advice, the Directors believe that the claims can be successfully defended, without any losses (including for costs) being incurred by the Company.

Non-audit services

During the year, William Buck Audit (WA) Pty Ltd, the Company's auditor, did not perform any non-audit services in addition to their statutory duties.

Auditor's Independence Declaration

The auditor's independence declaration is set out on page 68 and forms part of the Directors' Report for the financial year ended 30 June 2012.

This remuneration report outlines the Director and executive remuneration arrangements of the Company and the Consolidated Entity.

Director and senior management details

The following persons acted as Directors of the Company during or since the end of the financial year:

Mr Charles Chen
Mr Trevor Beazley (appointed as executive director on 1 April 2010 and non-executive director on 1 January 2011, resigned 18 January 2012)
Ms Shannon Coates (appointed 21 June 2011, resigned 1 September 2011)
Mr Olly Cairns (appointed 1 September 2011)
Mr Jacky Chen (appointed 1 September 2011)
Mr Blair Sergeant (appointed 18 January 2012)

The term 'key management personnel' is used in this remuneration report to refer to the Directors and the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:
Mr Ivan Teo (Chief Financial Officer)
Mr Michael Fulton (International Sales Manager)
Mr Klaus Rheinschmitt (Chief Technology Officer)
Ms Ping Wang (Vice General Manager)
Mr Zhengjie Wu (Vice General Manager)
Ms Alicia Atkinson (Chief Operating Officer, appointed 25 January 2011, terminated 11 August 2011)

Overview of remuneration policies

The Board as a whole is responsible for considering remuneration policies and packages applicable both to Directors and executives of the Company and the Consolidated Entity.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity, including Directors of the Company and other executives. Key management personnel comprise the Directors of the Company, and executives for the Company and the Consolidated Entity including the five most highly remunerated executives.

Broadly, remuneration levels for key management personnel and the Company Secretary of the Company, and key management personnel of the Consolidated Entity are competitively set to attract and retain appropriately qualified and experienced Directors and executives and reward the achievement of strategic objectives. The Board obtains independent advice on the appropriateness of remuneration packages of both the Company and the Consolidated Entity given trends in comparative companies both locally and internationally, and the objectives of the Company's remuneration strategy.

Remuneration packages consist of fixed remuneration including base salary, employer contributions to superannuation funds and non-cash benefits.

The Company has a variable remuneration package for Directors, which is known as the Performance Rights Plan. This plan allows Directors to convert performance rights to fully paid ordinary shares for nil cash consideration, subject to performance based vesting conditions.

Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicle), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Consolidated Entity. The Board has regard to remuneration levels external to the Consolidated Entity to ensure the Directors' and executives' remuneration is competitive in the market place.

Executive Directors are employed full time and receive fixed remuneration in the form of salary and statutory superannuation or consultancy fees, commensurate with their required level of services.

Non-Executive Directors receive a fixed monthly fee for their services. Where Non-Executive Directors provide services materially outside their usual Board duties, they are remunerated on an agreed daily rate basis.

Service agreements

It is the Consolidated Entity's policy that service agreements for key management personnel are unlimited in term but capable of termination on 3 months' notice and that the Consolidated Entity retains the right to terminate the service agreements immediately, by making payment equal to 3 months' pay in lieu of notice.

The service agreement outlines the components of compensation paid to key management personnel but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed annually on a date as close as possible to 30 June of each year to take into account key management personnel's performance.

Non-Executive Directors

Total remuneration for all Non-Executive Directors, last voted upon by shareholders at the 2007 Annual General Meeting, is not to exceed A$200,000 per annum and has been set at a level to enable the Company to attract and retain suitably qualified Directors. The Company does not have any scheme relating to retirement benefits for Non-Executive Directors.

Relationship between the remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based rights subject to performance based vesting conditions, and the second being the issue of options to key management personnel to encourage the alignment of personal and shareholder interests. The Company believes this policy was effective in increasing shareholder wealth.

The tables below set out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to 30 June 2012:

In AUD	30 June 2012 $'000	30 June 2011 $'000	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000
Revenue	8,242	7,112	17,942	48,400	35,322
Net loss before tax	7,162	4,425	4,077	4,207	8,667
Net loss after tax	7,162	4,425	4,077	4,222	8,667

In AUD	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Share price at start of year	$0.02	$0.14	$0.07	$0.11	$0.20
Share price at end of year	$0.01	$0.02	$0.14	$0.08	$0.10
Dividend	-	-	-	-	-
Basic and diluted loss per share	1.14 cents	0.79 cents	0.80 cents	1.25 cents	3.86 cents

REMUNERATION REPORT (cont'd)

Directors' and executive officers' remuneration

Details of the nature and amount of each major element of the remuneration of each Director of the Company and the named officers of the Company and the Consolidated Entity for the year are:

		SHORT-TERM	POST-EMPLOYMENT	SHARE BASED PAYMENTS			
In AUD		Salary & fees $	Superannuation benefits $	Options $	Total $	Value of options as proportion of remuneration %	% of remuneration based on performance
Non-Executive Directors							
Mr Trevor Beazley	2012	29,167	2,625	-	31,792	-	-
	2011	25,000	2,250	-	27,250	-	-
Mr Russell Goodman (resigned on 23 Feb 2011)	2012	-	-	-	-	-	-
	2011	105,333	2,933	-	108,266	-	-
Mr Jack Perkowski (resigned on 27 Apr 2011)	2012	-	-	-	-	-	-
	2011	8,665	-	-	8,665	-	-
Ms Shannon Coates (resigned on 1 Sept 2011)	2012	9,722	875	-	10,597	-	-
	2011	1,389	125	-	1,514	-	-
Mr Olly Cairns (appointed 1 September 2011)	2012	33,333	-	-	33,333	-	-
	2011	-	-	-	-	-	-
Mr Jacky Chen (appointed 1 September 2011)	2012	33,333	-	-	33,333	-	-
	2011	-	-	-	-	-	-
Mr Blair Sergeant (appointed 18 January 2012)	2012	18,172	-	-	18,172	-	-
	2011	-	-	-	-	-	-

REMUNERATION REPORT (cont'd)

In AUD		SHORT-TERM Salary & fees $	POST-EMPLOYMENT Superannuation benefits $	SHARE BASED PAYMENTS Options $	Total $	Value of options as proportion of remuneration %	% of remuneration based on performance
Executive Directors							
Mr Patrick Davin (resigned on 26 Nov 2010)	2012	-	-	-	-	-	-
	2011	149,168	4,404	-	153,572	-	-
Mr Charles Chen	2012	185,923	-	-	185,923	-	-
	2011	184,664	-	-	184,664	-	-
Mr Trevor Beazley	2012	-	-	-	-	-	-
	2011	44,954	4,046	-	49,000	-	-
Total, all Directors	2012	309,650	3,500	-	313,150	-	-
	2011	519,173	13,758	-	532,931	-	-

REMUNERATION REPORT (cont'd)

In AUD		SHORT-TERM Salary & fees $	POST-EMPLOYMENT Superannuation benefits $	SHARE BASED PAYMENTS Options $	Total $	Value of options as proportion of remuneration %	% of remuneration based on performance
Executives							
Mr Ivan Teo (Chief Financial Officer)	2012	119,852	-	10,000	129,852	7.7%	-
	2011	119,424	-	-	119,424	-	-
Mr Michael Fulton (International Sales Manager)	2012	97,250	-	11,000	108,250	10.2%	-
	2011	103,482	-	-	103,482	-	-
Mr Klaus Rheinschmitt (Chief Technology Officer)	2012	77,539	-	5,000	82,539	6.1%	-
	2011	82,508	-	-	82,508	-	-
Ms Ping Wang (Vice General Manager)	2012	54,721	-	10,000	64,721	15.5%	-
	2011	54,536	-	-	54,536	-	-
Mr Zhengjie Wu (Vice General Manager)	2012	54,721	-	8,000	62,721	12.8%	-
	2011	54,536	-	-	54,536	-	-
Ms Alicia Atkinson (Chief Operating Officer, terminated 11 August 2011)	2012	-	-	-	-	-	-
	2011	101,438	5,573	-	107,011	-	-
Total, all executives	2012	404,084	-	44,000	448,084	9.8%	-
	2011	515,924	5,573	-	521,497	-	-

Share-based payment arrangements

The Company operates an Employee Share Option Plan ("ESOP") for executives and senior employees of the Consolidated Entity. In accordance with the provisions of the plan, executives and senior employees may be granted options to purchase ordinary shares at an exercise price to be determined by the Board with regard to the market value of the shares when it resolves to offer the options. The options may only be granted to eligible persons after the Board considers the person's seniority, position, length of service, record of employment, potential contribution and any other matters which the Board considers relevant.

Each employee share option converts into one ordinary share of Vmoto Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is determined by the Board.

To date, options granted under the ESOP expire within thirty six months of their issue, or immediately on the resignation of the executive or senior employee, whichever is the earlier.

During the financial year, the following share-based payment arrangements were in existence:

Options series	Grant date	Grant date fair value	Expiry date	Exercise Price	Vesting date
Class C	28/11/2007	A$0.069	30/09/2012	A$0.20	Vests at date of grant
ESOP	01/09/2011	A$0.01	01/09/2014	A$0.025	01/09/2012

There is no further service or performance criteria that need to be met in relation to Class C options and ESOP options granted before the beneficial interest vests in the recipient.

The following grants of share-based payment compensation to key management personnel relate to the current financial year:

Name	Option series	During the financial year				% of compensation for the year consisting of options
		No. granted	No. vested	% of grant vested	% of grant forfeited	
M Fulton	ESOP	1,100,000	nil	nil	n/a	10.2%
I Teo	ESOP	1,000,000	nil	nil	n/a	7.7%
P Wang	ESOP	1,000,000	nil	nil	n/a	15.5%
ZJ Wu	ESOP	800,000	nil	nil	n/a	12.8%
K Rheinschmitt	ESOP	500,000	nil	nil	n/a	6.1%

The following table summarises the value of options to key management personnel granted, exercised or lapsed during the year:

Name	Value of options granted at the grant date (i) $	Value of options exercised at the exercise date $	Value of option lapsed at the date of lapse (ii) $
M Fulton	11,000	-	-
I Teo	10,000	-	-
P Wang	10,000	-	-
ZJ Wu	8,000	-	-
K Rheinschmitt	5,000	-	-

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.
(ii) The value of options lapsing during the period due to the failure to satisfy a vesting condition is determined assuming the vesting condition had been satisfied.

This report is made with a resolution of the Directors pursuant to s298(2) of the Corporations Act 2001:

Charles Chen
Managing Director

Dated at Perth, Western Australia this 27th day of August 2012.

The Board of Directors of Vmoto Limited is responsible for the establishment of a corporate governance framework that has regard to the best practice recommendations set by the ASX Corporate Governance Council. Vmoto's objective is to achieve best practice in corporate governance and the Company's Board, senior executives and employees are committed to achieving this objective.

This statement summarises the corporate governance practices that have been adopted by the Board. In addition to the information contained in this statement, the Company's website at www.vmotoltd.com contains additional details of its corporate governance procedures and practices.

ASX Best Practice Recommendations

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX best practice recommendations in the reporting period. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it. Where the Company considered it was not appropriate to presently comply with a particular recommendation, the reasons are set out in the relevant section of this statement.

The Board adopted a Corporate Governance policy that (except where expressly noted below) complies with the Principles set out in the Second Edition of the "Corporate Governance Principles and Recommendations with 2010 Amendments", established by the ASX Corporate Governance Council and published by the ASX in June 2010. This Corporate Governance policy has been in effect for the entire reporting period.

Board of Directors

Role and Responsibilities of the Board

The Board is responsible for guiding and monitoring the Company on behalf of shareholders. The specific responsibilities of the Board include:

a) appointment, evaluation, rewarding and if necessary the removal of the Managing Director, and Chief Financial Officer (or equivalent) and the Company Secretary;

b) in conjunction with management, development of corporate objectives, strategy and operations plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;

c) establishing appropriate levels of delegation to the Managing Director to allow him to manage the business efficiently;

d) monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level, to understand at all times the financial and operating conditions of the Company;

e) monitoring the performance of senior management including the implementation of strategy, and ensuring appropriate resources are available;

f) via management, an appreciation of areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;

g) overseeing the management of safety, occupational health and environmental matters;

h) satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;

i) satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;

j) to ensure that appropriate internal and external audit arrangements are in place and operating effectively;

k) having a framework in place to help ensure that the Company acts legally and responsibly on all matters consistent with the code of conduct; and

l) reporting to shareholders.

In accordance with ASX Principle 1, the Board has established a Board Charter which sets out functions reserved to the Board and those delegated to senior executives. This Charter is available on the Company's website. The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

Board composition

The Board is comprised of 1 executive Director and 3 non-executive Directors.

The Company's website contains details on the procedures for the selection and appointment of new directors and the re-election of incumbent directors, together with the Board's policy for the nomination and appointment of directors.

ASX Principle 2 recommends the Board establish a Nomination Committee to focus on the selection and appointment practices of the Company. It is further recommended that the Nomination Committee have a formal Charter.

The Company has adopted a formal Nomination Committee Charter, available on the Company's website, which includes information on the Company's approach to selection and appointment of Directors. However the Company does not presently have a separate Nomination Committee. As the Board is small, the full Board conducts the function of such a committee, in accordance with the Charter.

The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate. The current Directors have a broad range of qualifications, experience and expertise in scooter and motorcycle design, manufacture, distribution and marketing and in the corporate advisory and finance industries. The skills, experience and expertise of Directors are set out in the Directors' Report. The Board is considering the current composition of the Board to ensure it is adequate for the Company's current size and operations, and includes the appropriate mix of skills and expertise, relevant to the Company's business.

The names of the Directors in office at the date of this Report, the year they were first appointed, their status as non-executive, executive or independent Directors and whether they are retiring by rotation and seeking re-election by shareholders at the 2012 Annual General Meeting, are set out in the Directors' Report.

Independence of Non-Executive Directors

ASX Principle 2 recommends that a majority of the Board should be independent directors. The Board considers an independent director to be a non-executive director who meets the criteria for independence included in Principle 2 of the ASX Corporate Governance Principles and Recommendations. Materiality for these purposes is based on quantitative and qualitative bases. An amount of over 5% of the annual turnover of the Company or 5% of the individual director's net worth is considered material for these purposes.

The Board has reviewed and considered the positions and associations of each of the Directors in office at the date of this report and consider that a majority of the Directors are independent. Mr Blair Sergeant, Mr Olly Cairns and Mr Jacky Chen are considered independent.

On 18 January 2012, Mr Trevor Beazley resigned from the Board. Mr Trevor Beazley was an independent Non-Executive Director and his resignation was followed by appointment of Mr Blair Sergeant as an independent Non-Executive Director. Mr Blair Sergeant's appointment was confirmed by the Board following an extensive selection process conducted by the nomination committee in accordance with best practice governance procedures that identified appropriate candidates from Australia and overseas.

Independent professional advice

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The advice is at the Company's expense and advice so obtained is to be made available to all Directors.

Meetings

The Board held 12 scheduled meetings during the reporting year and no unscheduled meetings were held during that year. Senior management attended and made presentations at the Board Meetings as considered appropriate and were available for questioning by Directors.

The attendance of Directors at Board meetings during the year ended 30 June 2012 is detailed in the Directors' Report.

Evaluation of Board and Senior Executive performance

A process has been established to review and evaluate the performance of the Board, individual Directors and senior executives. The Board is required to meet annually with the specific purpose of reviewing the role of the Board, assessing the performance of the Board and individual Directors over the previous 12 months and examining ways in which the Board can better perform its duties. The Company's annual Board review to consider the 2011/12 financial year has been deferred until the current Board has been in place for a full year.

The Managing Director is responsible for assessing the performance of the key executives within the Company. This is performed through a formal process involving a formal meeting with each senior executive.

Remuneration

ASX Principle 8 recommends the Board establish a Remuneration Committee to focus on appropriate remuneration policies. It is further recommended that the Remuneration Committee have a formal Charter.

The Company has adopted a formal Remuneration Committee Charter, available on the Company's website, which includes information on the Company's approach to remuneration of Directors (executive and non-executive) and senior executives. However the Company does not presently have a separate Remuneration Committee. Given the small size of the Board, the full Board conducts the function of such a committee, in accordance with the Charter.

In accordance with Principle 8, Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-Executive Directors receive a fixed monthly fee for their services. Total Non-Executive Directors' fees are currently capped at A$200,000 per annum.

As approved by shareholders at the General Meeting held on 31 July 2012, the Company's Non-Executive Director Mr Blair Sergeant was issued 2,000,000 performance rights.

Further, at the same meeting shareholders approved the Company's Performance Rights Plan and the issue of 10,000,000 performance rights to each of Mr Charles Chen, Mr Olly Cairns and Mr Blair Sergeant.

The Company acknowledges that the guidelines to ASX Principle 8 recommend that Non-Executive Directors do not receive options. However the Directors considered the issue to be a cost effective and efficient means for the Company to provide a reward and incentive, as opposed to alternative forms of incentive, such as the payment of additional cash consideration.

The Company does not have any scheme relating to retirement benefits for Non-Executive Directors.

See the Remuneration Report for details of remuneration paid to Directors and key executives during the year.

Risk Management

In accordance with ASX Principle 7, the Company has a policy for the oversight and management of material business risks, which is available on the Company's website.

Management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

a) establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;

b) continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;

c) formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and

d) monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Within the identified risk profile of the Company, comprehensive practices are in place that are directed towards achieving the following objectives:

a) effectiveness and efficiency in the use of the Company's resources;

b) compliance with applicable laws and regulations; and

c) preparation of reliable published financial information.

The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control, requiring management appraise the Board of changing circumstances within the Company and within the international business environment. During the reporting period, the Managing Director regularly reported to the Board as to the effectiveness of the Company's management of its material business risks. Further, in accordance with Principle 7, the Managing Director and Chief Financial Officer have confirmed in writing to the Board that:

- the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition, and operational results are in accordance with relevant accounting standards.
- the above confirmation is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board;
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Financial Reporting

ASX Principle 4 recommends the Board establish an Audit Committee to focus on issues relevant to the integrity of the Company's financial reporting. It is further recommended the Audit Committee have a formal Charter.

The Company has prepared a formal Audit Committee Charter, available from the Company's website, which promotes an environment consistent with best practice financial reporting and includes information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners. However due to the small size of the Board, the Company does not presently have a separate Audit Committee. The full Board conducts the function of such a committee, in accordance with the Charter.

Code of Conduct

The Board encourages appropriate standards of conduct and behaviour from Directors, officers, employees and contractors of the Company.

The Board has adopted a Code of Conduct in relation to Directors and employees, available from the Company's website. This Code of Conduct is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

A fundamental theme is that all business affairs are conducted legally, ethically and with strict observance of the highest standards of integrity and propriety.

ASX Principle 3 recommends companies establish a policy concerning diversity and disclose the policy or a summary of that policy. It further recommends companies should disclose in each annual report measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them. Due to the current nature and scale of Vmoto's activities, the Board has not established a diversity policy or measurable objectives for achieving gender diversity to report against in this Annual Report for the 2012 financial year. Notwithstanding, the Company notes that as at the date of this report, the proportion of women associated with the Company is:

- Board: Nil
- Senior Executive: Nil
- Employees: 23%.

Securities Trading

In compliance with Listing Rule 12.12, the Board has adopted a Securities Trading Policy which regulates dealings by Directors, officers and employees in securities issued by the Company.

Under the policy, which is available on the Company's website, general restrictions are imposed on Directors and employees when in possession of inside information, while additional trading restrictions apply to Directors and some employees.

The policy also regulates trading by key management personnel within defined closed periods, as well as providing details of trading that is not subject to the policy, exceptional circumstances in which key management personnel may be permitted to trade during a prohibited period with prior written clearance and the procedure for obtaining such clearance.

The Company prohibits Directors and employees from entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity based remuneration schemes.

Privacy

The Company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of Vmoto.

Continuous Disclosure

In accordance with ASX Principle 5, the Board has an established Continuous Disclosure Policy which is available from the Company's website.

The Company is committed to:

a) complying with the general and continuous disclosure principles contained in the Corporations Act and the ASX Listing rules;

b) preventing the selective or inadvertent disclosure of material price sensitive information;

c) ensuring shareholders and the market are provided with full and timely information about the Company's activities;

d) ensuring that all market participants have equal opportunity to receive externally available information issued by the Company.

Shareholder Communication

In accordance with ASX Principle 6, the Board has established a communications strategy which is available from the Company's website. The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company.

The Managing Director and Company Secretary have primary responsibility for communication with shareholders. Information is communicated through:

a) continuous disclosure to relevant stock markets of all material information;

b) periodic disclosure through the annual report (or concise annual report), half year financial report and quarterly reporting of corporate activities;

c) notices of meetings and explanatory material;

d) the annual general meeting;

e) periodic newsletters or letters from the Chairman or Managing Director; and

f) the Company's website at www.vmotoltd.com

The Company is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market.

Shareholders are encouraged at annual general meetings to ask questions of Directors and senior management and also the Company's external auditors, who are required to attend the Company's annual general meetings.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Year ended 30 June 2012 $	Year ended 30 June 2011 $
Continuing Operations			
Revenue from sale of goods		8,241,656	7,111,722
Cost of sales		(6,757,714)	(5,619,116)
Gross Profit		1,483,942	1,492,606
Other income	2	259,616	268,329
Operational expenses		(1,893,592)	(2,777,749)
Marketing and distribution expenses		(366,308)	(626,002)
Corporate and administrative expenses		(1,471,653)	(2,188,697)
Occupancy expenses		(240,479)	(381,351)
Other expenses	2	(35,148)	(109,112)
Finance costs		(273,726)	(102,568)
Impairment of goodwill	10	(4,624,781)	-
Loss from continuing operations before tax		(7,162,129)	(4,424,544)
Income tax	4	-	-
Loss after tax from continuing operations		**(7,162,129)**	**(4,424,544)**
Other comprehensive income			
Foreign currency translation differences		(110,425)	(2,143,779)
Other comprehensive income for the period, net of tax		(110,425)	(2,143,779)
Total comprehensive income for the period		**(7,272,554)**	**(6,568,323)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Year ended 30 June 2012 $	Year ended 30 June 2011 $
Loss attributable to:			
Owners of the Company		(7,162,129)	(4,424,544)
Loss for the period		(7,162,129)	(4,424,544)
Total comprehensive income attributable to:			
Owners of the Company		(7,272,554)	(6,568,323)
Total comprehensive income for the period		(7,272,554)	(6,568,323)
Loss per share attributable to the ordinary equity holders of the Company			
Basic and Diluted Loss per Share from Continuing Operations	20	(1.14 cents)	(0.79 cents)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	30 June 2012 $	30 June 2011 $
CURRENT ASSETS			
Cash and cash equivalents	5	1,231,258	701,599
Trade and other receivables	6	1,716,318	1,430,216
Inventories	7	2,484,560	3,477,076
Other assets	8	628,254	1,065,576
Total Current Assets		6,060,390	6,674,467
NON CURRENT ASSETS			
Property, plant and equipment	9	5,867,243	4,890,115
Intangible Assets	10	3,282,099	7,894,233
Total Non Current Assets		9,149,342	12,784,348
TOTAL ASSETS		15,209,732	19,458,815
CURRENT LIABILITIES			
Trade and other payables	11	1,873,753	1,718,811
Employee benefits	12	-	22,362
Loans and borrowings	13	3,535,260	2,535,658
Total Current Liabilities		5,409,013	4,276,831
TOTAL LIABILITIES		5,409,013	4,276,831
NET ASSETS		**9,800,719**	**15,181,984**
EQUITY			
Issued capital	14	48,603,643	46,771,854
Reserves	14	(1,290,467)	(1,239,542)
Accumulated losses	16	(37,512,457)	(30,350,328)
Equity attributable to owners of the Company		9,800,719	15,181,984
TOTAL EQUITY		**9,800,719**	**15,181,984**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Year ended 30 June 2012 $	Year ended 30 June 2011 $
Cash flows from operating activities			
Receipts from customers		8,257,193	7,323,823
Payments to suppliers and employees		(8,279,757)	(12,851,900)
Interest received		1,919	10,443
Interest paid		(253,567)	(155,017)
Other cash receipts		66,774	23,205
Net cash used in operating activities	23	(207,438)	(5,649,446)
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		4,455	-
Proceeds from disposal of business		-	80,000
Payments for property, plant & equipment		(1,168,297)	(2,096,340)
Payments for intangible assets		(8,260)	(3,561)
Net cash used in investing activities		(972,102)	(2,019,901)
Cash flows from financing activities			
Proceeds from issue of equity shares		1,027,198	4,713,000
Payments for share issue costs		(3,080)	(88,200)
Proceeds from borrowings		4,154,938	3,939,178
Repayment of borrowings		(3,252,856)	(2,769,176)
Net cash generated by financing activities		1,929,280	5,794,802
Net (decrease)/increase in cash and cash equivalents		546,660	(1,874,545)
Cash and cash equivalents at the beginning of the year		701,599	2,589,599
Effect of exchange rate fluctuations on cash held		(17,001)	(13,455)
Cash and cash equivalents at the end of the year		**1,231,258**	**701,599**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Issued Capital $	Reserves $	Accumulated Losses $	Attributable to owners of parent $	Non-controlling Interest $	Total $
Balance as at 1 July 2010	41,773,036	904,237	(25,925,784)	16,751,489	(8,442)	16,743,047
Loss for the year	-	-	(4,424,544)	(4,424,544)	-	(4,424,544)
Other comprehensive income for the year	-	(2,143,779)	-	(2,143,779)	-	(2,143,779)
Total comprehensive income for the year	-	(2,143,779)	(4,424,544)	(6,568,323)	-	(6,568,323)
Issue of ordinary shares	7,849,000	-	-	7,849,000	-	7,849,000
Share issue costs	(88,200)	-	-	(88,200)	-	(88,200)
Acquisition of non-controlling interests in Vmoto E-Max	(2,761,982)	-	-	(2,761,982)	8,442	(2,753,540)
Balance as at 30 June 2011	**46,771,854**	**(1,239,542)**	**(30,350,328)**	**15,181,984**	**-**	**15,181,984**
Balance as at 1 July 2011	46,771,854	(1,239,542)	(30,350,328)	15,181,984	-	15,181,984
Loss for the year	-	-	(7,162,129)	(7,162,129)	-	(7,162,129)
Other comprehensive income for the year	-	(110,425)	-	(110,425)	-	(110,425)
Total comprehensive income for the year	-	(110,425)	(7,162,129)	(7,272,554)	-	(7,272,554)
Issue of ordinary shares	1,834,869	-	-	1,834,869	-	1,834,869
Share issue costs	(3,080)	-	-	(3,080)	-	(3,080)
Issue of options	-	59,500	-	59,500	-	59,500
Balance as at 30 June 2012	**48,603,643**	**(1,290,467)**	**(37,512,457)**	**9,800,719**	**-**	**9,800,719**

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Vmoto Limited ("Vmoto" or "the Company") is a limited company incorporated in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2012 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity").

(a) Basis of preparation

(i) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Consolidated Entity complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 27 August 2012.

(ii) Basis of measurement

The consolidated financial statements of the Consolidated Entity are prepared on an accruals basis and are based on historical costs except where otherwise stated.

(iii) Functional and presentation currency

The consolidated financial statements of the Consolidated Entity are presented in Australian dollars, which is different from its functional currency, determined to be Euro dollars. A different presentation currency has been adopted as the Board of Directors believe that financial statements presented in Australian dollar (which is the functional currency of parent company) are more useful to the users and shareholders of the Company who are predominantly in Australia.

(iv) Standards and interpretations affecting amounts reported in current period (and/or prior periods)

During the year ended 30 June 2012, the Consolidated Entity adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. The adoption of these standards has not significantly impacted the recognition, measurement and disclosure of the transactions of the Consolidated Entity and its consolidated financial statements for the year ended 30 June 2012.

(v) Standards and interpretations in issue not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Consolidated Entity. The Consolidated Entity has decided not to early adopt any of the new and amended pronouncements. The Consolidated Entity's assessment of the new and amended pronouncements that are relevant to the Consolidated Entity but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and de-recognition requirements for financial instruments.

  The key changes made to accounting requirements include:
  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;

- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

  This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

  Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

  The amendments are not expected to significantly impact the Consolidated Entity.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

  AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

  AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

  To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Consolidated Entity.

- AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 17, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

  AASB 13 requires:
  - inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
  - enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

  These Standards are not expected to significantly impact the Consolidated Entity.

- AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

  The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

  This Standard affects presentation only and is therefore not expected to significantly impact the Group.

- AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB101, AASB124, AASB134, AASB1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

  AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:
  i. for an offer that may be withdrawn – when the employee accepts;
  ii. for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
  iii. where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

  The Consolidated Entity has not yet been able to reasonably estimate the impact of these changes to AASB 119.

(vi) Going concern basis

The Consolidated Entity has recorded a loss after tax for the year of $7,162,129 (2011: $4,424,544 loss after tax), which included an impairment of goodwill of $4,624,781. The loss after tax for the year excluding the impairment of goodwill is $2,537,348. At 30 June 2012, the Consolidated Entity had a working capital surplus of $651,377 (2011:$2,397,636).

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe this to be appropriate for the following reasons:

- the Consolidated Entity has long term supply agreements and demand for its electric powered scooter products is increasing. As the units increase, this will further reduce the cost of goods manufactured due to achieving higher levels of economies of scale, which will further improve the gross profit margins;
- the Consolidated Entity has entered into a Strategic Co-operation Agreement, which it anticipates will increase its sales significantly;

- the Consolidated Entity's loss after tax (excluding impairment of goodwill) has decreased significantly and it will further reduce corporate and other non-sales resources without materially affecting revenue activities;
- the Company is in discussion with several parties and is confident of its ability to raise additional funding if required;
- the Consolidated Entity's Stage 1 and 2 of the Nanjing Facility have been completed and have been used as security for its existing operating facility. As at the date of this report, RMB7.1 million (approximately AUD1.1 million) of the operating facility is still available for draw down if required;
- the Directors have prepared cash flow forecasts that indicate the Consolidated Entity will be cash flow positive for the period ended 30 June 2013 and will enable the Consolidated Entity to pay its debts as and when they fall due; and
- the Company is evaluating the possibility to dual list on UK's AIM market in the 4th quarter of 2012 giving access to broader equity capital markets.

At the date of this report and having considered the above factors, the Directors are confident that the Consolidated Entity and the Company will be able to continue operations into the foreseeable future. The financial report does not include adjustments relating to the recoverability and classification of the recorded assets and liabilities amounts that might be necessary should the Consolidated Entity not continue as going concern.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, and have been applied consistently by all entities in the Consolidated Entity.

(b) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Consolidated Entity.

Non-controlling interests in equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

In the Company's financial statements, investments in subsidiaries are carried at cost and recoverable amount. Refer to Note (n).

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between subsidiaries are eliminated in full on consolidation.

(c) Foreign currency translation

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the profit & loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the profit & loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Vmoto at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit & loss.

(d) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchange of goods or services of the same nature without any cash consideration are not recognised as revenue.

Sale of goods

Revenue from the sale of goods is recognised upon delivery of goods to customers as this corresponds to the transfer of significant risks and benefits of ownership of the goods and the cessation of all involvement in those goods.

Interest income

Interest income is recognised using the effective interest method.

(e) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(f) Acquisition of assets

All assets acquired including plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

(g) Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(h) Property, Plant and Equipment

- *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of assets may include the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

- *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Consolidated Entity and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit & loss as incurred.

- *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Consolidated Entity will obtain ownership by the end of the lease term. Land is not depreciated. Building will be depreciated once the asset is in the condition necessary for it to be capable of operating in the manner intended by management.

The estimated useful lives for the current and comparative periods are as follows:

Plant and equipment	3 – 10 years
Motor vehicles	10 years
Office furniture & equipment	5 years
Building	20 years
Leasehold improvements	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

- *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Payables

Payables, including goods received and services incurred but not yet invoiced, are recognised at the nominal amount when the Consolidated Entity becomes obliged to make future payments as a result of a purchase of assets or receipt of services.

(k) 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. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the tax office is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the tax office are classified as operating cash flows.

(l) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(m) Operating Leases

Operating leases and the leased assets are not recognised on the Consolidated Entity's statement of financial position. Payments made under operating leases are recognised as an expense in the profit and loss.

(n) Recoverable amount of assets

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(o) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the profit & loss when the liabilities are derecognised as well as through the amortisation process.

(p) Share-based payment transactions

The Consolidated Entity provides benefits to employees (including Directors) of the Consolidated Entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Company operates an incentive scheme to provide these benefits, known as the Vmoto Employee Share Option Plan (the "ESOP").

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Binomial Option Valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Vmoto Limited ("market conditions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Consolidated Entity, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding weighted average number of options as at 30 June 2012 is considered not material and accordingly the basic loss per share is the same as the diluted loss per share.

(q) Employee benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration, wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(r) Income tax

Income tax expense recognised in the income statement relates to current tax and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

i. the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
ii. differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on a different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its subsidiaries have unused tax losses as at the reporting date. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

(s) Trademarks, licenses and production rights

Trademarks, licenses and production rights are recognised at cost of acquisition. They have an indefinite life and are carried at cost less any accumulated impairment losses.

(t) Development Costs

Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

(u) Provisions

Provisions are recognised when the Consolidated Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(v) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with maturities of 6 months or less.

(w) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(x) Critical judgements in applying accounting policies and key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating unit to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The goodwill on the acquisition of FMC in 2007 was written off in the year ended 30 June 2012 as the Consolidated Entity continues to refine its strategy and looks to focus more on manufacturing and distributing its Electric Powered Scooter products. The Consolidated Entity has successfully transformed from an international company that relied significantly on its agency business to a global manufacturing company with its own branded electric powered scooter products and has its own distribution channels internationally. The charge has been disclosed as a separate line item in the profit and loss statement.

The carrying amount of goodwill at the end of the reporting period was $1.4 million, which is related to the acquisition of E-Max in January 2010.

Contingent liabilities

The Company is currently a defendant in two proceedings brought against it by a former employee in relation to the employee's past employment. Having considered legal advice, the Directors believe that the claims can be successfully defended, without any losses (including for costs) being incurred by the Company.

2. REVENUES AND EXPENSES

	2012 $	2011 $
(a) Other income		
Interest income	5,257	51,219
Rent income	28,000	28,000
Net loss on disposal of plant & equipment	(14,532)	-
Written off of trade and other payables	-	114,231
Contributions from customers	127,214	-
Other income	113,677	74,879
	259,616	268,329
(b) Other expenses		
Increase in provision for impairment loss	19,002	105,293
Net foreign exchange loss	16,146	3,819
	35,148	109,112
(c) Employee benefits expense		
Wages and salaries costs	1,723,589	2,300,183
Superannuation costs	71,205	99,008
Increase/(decrease) in liability for annual leave	(17,440)	(12,320)
	1,777,354	2,386,871
(d) Depreciation and amortisation		
Depreciation	499,862	741,980
Amortisation	-	281,274
	499,862	1,023,254

3. AUDITOR'S REMUNERATION

Audit services:		
- review of financial reports by Deloitte Touche Tohmatsu (previous auditor)	40,995	112,982
- audit of financial reports by William Buck Audit (WA) Pty Ltd	48,000	-
Non-audit services:		
- corporate advisory services by Deloitte Touche Tohmatsu (previous auditor)	3,500	-
	92,495	112,982

	2012 $	2011 $
4. INCOME TAX		
(a) Income tax expense		
Current	-	-
Non-current	-	-
	-	-
(b) Numerical reconciliation between tax benefit and pre-tax net loss		
Loss before income tax benefit	(7,162,129)	(4,424,544)
Income tax credit calculated at 30%	2,148,639	1,327,362
Tax effect on amounts which are not tax deductible:		
Losses of foreign subsidiaries/operations not regarded as deductible	(87,992)	(257,755)
Miscellaneous	(10,012)	12,673
Non-deductible items	(1,387,434)	-
Deferred tax asset not brought to account	(663,200)	(1,082,281)
Income tax credit / (expense)	-	-
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)		
Potential at 30% (2011: 30%)	4,709,273	4,323,832
(d) Unrecognised temporary differences		
Temporary differences for which deferred tax assets have not been recognised:		
Employee benefits provision	-	6,709
Provision for doubtful receivables	24,092	18,292
Capital raising costs	125,357	211,397
Accrued superannuation	-	2,005
Unrecognised deferred tax assets relating to the above temporary differences	149,449	238,403

(e) Tax Rates

The potential tax benefit at 30 June 2012 in respect of tax losses not brought into account has been calculated at 30% for Australian entities. This same rate applied for the year ended 30 June 2011.

	2012 $	2011 $
5. CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,231,258	701,599

6. TRADE AND OTHER RECEIVABLES

	2012 $	2011 $
Current		
Trade receivables	840,847	576,220
Less: Provision for impairment loss	(56,816)	(37,814)
	784,031	538,406
Other receivables	955,778	914,971
Less: Provision for impairment loss	(23,491)	(23,161)
	1,716,318	1,430,216

Impaired Trade Receivables

Trade receivables are non-interest bearing and are generally on 30-60 days terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $19,002 for trade receivables has been recognised by the Consolidated Entity during the year ended 30 June 2012 and included in "other expenses" in the consolidated statement of comprehensive income.

Movements in the provision for impairment of trade and other receivables were as follows:

	2012 $	2011 $
At 1 July	60,975	-
Provision for impairment during the year	19,002	60,975
Translation difference	330	-
At 30 June	80,307	60,975

At 30 June, the ageing analysis of trade and other receivables is as follows:

	2012 $	2011 $
0 – 30 Days	783,981	691,539
31 – 60 Days	199,125	6,427
61 – 90 Days past due not impaired	74,451	27,773
+90 Days past due not impaired	658,761	704,477
+90 Days considered impaired	80,307	60,975
	1,796,625	1,491,191

As of 30 June 2012, trade and other receivables of $733,212 (2011: $732,250) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and export/import taxes recoverable arising from the China and Europe operations, which can be claimed / used to offset against future VAT payables.

	2012 $	2011 $
7. INVENTORIES		
Raw materials	1,976,811	2,261,080
Semi-finished goods	89,403	818,599
Finished goods	418,346	397,397
	2,484,560	3,477,076

	2012 $	2011 $
8. OTHER ASSETS		
Prepayments	628,254	997,598
Other assets	-	67,978
	628,254	1,065,576

9. PROPERTY, PLANT & EQUIPMENT

	Plant & equipment	Motor vehicles	Office furniture & equipment	Land	Building	Leasehold improvement	Total
Year ended 30 June 2011							
At 1 July 2010, net of accumulated depreciation	1,724,464	34,814	20,835	871,368	2,256,898	151,989	5,060,368
Additions	421,605	-	-	-	1,167,368	-	1,588,973
Disposals	(148,597)	-	-	-	-	-	(148,597)
Depreciation for the year	(531,731)	(3,512)	(8,257)	-	(50,153)	(148,327)	(741,980)
Exchange differences	(287,313)	(6,562)	-	(138,438)	(436,336)	-	(868,649)
At 30 June 2011, net of accumulated depreciation	1,178,428	24,740	12,578	732,930	2,937,777	3,662	4,890,115
At 30 June 2011							
Cost	1,867,270	29,798	82,886	732,930	2,987,930	278,041	5,978,855
Accumulated depreciation	(688,842)	(5,058)	(70,308)	-	(50,152)	(274,379)	(1,088,740)
Net carrying amount	1,178,428	24,740	12,578	732,930	2,937,778	3,662	4,890,115
Year ended 30 June 2012							
At 1 July 2011, net of accumulated depreciation	1,178,428	24,740	12,578	732,930	2,937,778	3,662	4,890,115
Additions	435,162	19,205	-	-	719,888	-	1,174,255
Disposals	(9,282)	(24,740)	(7,389)	-	-	(1,911)	(43,322)
Depreciation for the year	(420,626)	(3,041)	(3,888)	-	(70,556)	(1,751)	(499,862)
Exchange differences	72,958	253	-	52,433	220,312	-	345,956
At 30 June 2012, net of accumulated depreciation	1,256,640	16,417	1,301	785,363	3,807,522	-	5,867,243
At 30 June 2012							
Cost	2,375,673	19,506	82,886	785,363	3,932,920	278,041	7,474,389
Accumulated depreciation	(1,119,033)	(3,089)	(81,585)	-	(125,398)	(278,041)	(1,607,146)
Net carrying amount	1,256,640	16,417	1,301	785,363	3,807,522	-	5,867,243

An impairment test has been performed in conjunction with intangible assets and the details of assumptions used are in Note 10.

Assets pledged as security

Freehold land and buildings with a carrying amount of approximately $4.6 million have been pledged to secure borrowings of the Group (see note 13). The freehold land and buildings have been pledged as security for the bank operating facility under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

10. INTANGIBLES

	Goodwill	Licences, trademarks and production rights	Development costs	Total
Year ended 30 June 2011				
Balance at 1 July 2010	6,613,421	1,068,940	272,756	7,955,117
Additions	-	382,459	8,518	390,977
Amortisation	-	-	(281,274)	(281,274)
Reclassification	(573,689)	573,689	-	-
Exchange differences	-	(170,587)	-	(170,587)
Balance at 30 June 2011	6,039,732	1,854,501	-	7,894,233
At 30 June 2011				
Cost	12,149,545	1,860,566	376,192	14,386,303
Accumulated amortisation and impairment	(6,109,813)	(6,065)	(376,192)	(6,492,070)
Net carrying amount	6,039,732	1,854,501	-	7,894,233
Year ended 30 June 2012				
Balance at 1 July 2011	6,039,732	1,854,501	-	7,894,233
Additions	-	8,260	-	8,260
Amortisation and impairment	(4,624,781)	-	-	(4,624,781)
Reclassification	-	-	-	-
Exchange differences	-	4,387	-	4,387
Balance at 30 June 2012	1,414,951	1,867,148	-	3,282,099
At 30 June 2012				
Cost	12,149,545	1,873,213	376,192	14,398,950
Accumulated amortisation and impairment	(10,734,594)	(6,065)	(376,192)	(11,116,851)
Net carrying amount	1,414,951	1,867,148	-	3,282,099

The goodwill on the acquisition of FMC in 2007 was written off in the year ended 30 June 2012 as the Consolidated Entity continues to refine its strategy and looks to focus more on manufacturing and distributing its electric powered scooter products. The Consolidated Entity has successfully transformed from an international company that relied significantly on its agency business to a global manufacturing company with its own branded electric powered scooter products and has its own distribution channels internationally. The charge has been disclosed as a separate line item in the profit and loss statement.

The goodwill on acquiring E-Max in January 2010 is allocated to the cash generating unit within the Chinese geographical location segment as the Company's manufacturing facility and main operations are located in China. The recoverable amount of the goodwill has been determined using value in use method based on the net present value of projected earnings before interest, tax and depreciation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The cash flow projections were prepared based on past experience and contracts that are in place.

The pre-tax, risk free discount rate applied to cash flow projections is 15% (2011: 15%). The calculated recoverable amount exceeds the carrying amount of the goodwill of E-Max such that no impairment of the goodwill on acquisition of E-Max has occurred. Management believe that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the goodwill on acquisition of E-Max to materially exceed its recoverable amount.

11. TRADE AND OTHER PAYABLES

	2012 $	2011 $
Current - unsecured		
Trade creditors	1,010,880	734,133
Other creditors and accruals	862,873	984,678
	1,873,753	1,718,811

12. EMPLOYEE BENEFITS

	2012 $	2011 $
Provision for annual leave	-	22,362
	-	22,362

13. INTEREST BEARING LOANS AND BORROWINGS

	2012 $	2011 $
Current		
Secured – Interest bearing		
Bank operating facility	3,535,260	2,161,072
Unsecured – Interest bearing		
Other loan	-	374,586
	3,535,260	2,535,658
The carrying amounts of non-current assets pledged as security are:		
Land and buildings	4,592,885	3,670,708
	4,592,885	3,670,708

Financing arrangements

The Consolidated Entity has access to the following facilities:

	2012 $	2011 $
Total facilities available:		
Bank operating facility	5,248,858	4,898,430
Other debt facility	-	720,357
	5,248,858	5,618,787
Facilities utilised at end of the year:		
Bank operating facility	3,535,260	2,161,072
Other debt facility	-	374,586
	3,535,260	2,535,658
Facilities not utilised at end of the year:		
Bank operating facility	1,713,598	2,737,358
Other debt facility	-	345,771
	1,713,598	3,083,129

13. INTEREST BEARING LOANS AND BORROWINGS (cont'd)

Bank operating facility

The Company secured a bank operating facility of RMB34 million (approximately AUD5.2 million) with China Rural Credit Cooperative in May 2011. The bank operating facility is secured by the Company's Nanjing Facility, including the land, Stage 1 and Stage 2 of the manufacturing facility. This bank operating facility is a revolving line of credit facility and the undrawn facility is available for draw down throughout the year.

The loans drawn down from the bank operating facility are repayable as follows:
- RMB13 million (A$2,006,916) will be repayable on 16 January 2013;
- RMB5 million (A$771,891) will be repayable on 23 May 2013; and
- RMB4.9 million (A$756,453) will be repayable on 23 May 2013.

The interest rate for the bank operating facility is 8.5% per annum, payable quarterly.

14. ISSUED CAPITAL AND RESERVES

	2012 $	2011 $
Issued capital		
720,938,456 (2011: 594,955,106) fully paid ordinary shares	48,603,643	46,771,854

The following movements in issued capital occurred during the year:

	Number of Shares 2012	Number of Shares 2011	2012 $	2011 $
Balance at beginning of year	594,955,106	494,005,104	46,771,854	41,773,036
Issue of Shares for acquisition of E-Max	-	22,400,000	-	3,136,000
Issue of Shares at 12 cents each	-	4,166,668	-	500,000
Issue of Shares at 6 cents each	-	70,216,667	-	4,213,000
Issue of Shares for amended placement terms	-	3,077,429	-	-
Issue of Shares for amended placement terms	-	1,089,238	-	-
Issue of Shares at 2 cents each	40,383,559	-	807,671	-
Issue of Shares at 1.2 cents each	59,642,450	-	715,710	-
Issue of Shares at 1.2 cents each	25,957,341		311,488	
Consideration paid in excess of carrying value of non-controlling interest	-	-	-	(2,761,982)
Share issue costs	-	-	(3,080)	(88,200)
Balance at end of year	720,938,456	594,955,106	48,603,643	46,771,854

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

14. ISSUED CAPITAL AND RESERVES (cont'd)

Options

The movements of options over unissued ordinary shares of the Company for the year ended 30 June 2012 were:

	Expiry Date	Exercise Price	Balance at 1 July 2011	Granted/ Issued	Exercised/ Forfeited	Held at 30 June 2012
Class B options	30 September 2012	20.0 cents	2,000,000	-	2,000,000	-
Class C options	14 July 2013	9.0 cents	9,000,000	-	-	9,000,000
Class D options	3 July 2012	10.0 cents	3,241,527	-	-	3,241,527
Class E options	1 September 2014	2.5 cents	2,000,000	-	-	2,000,000
ESOP options	31 December 2014	4 cents	N/A	8,500,000	-	8,500,000
Options per rights issue	30 September 2012	20.0 cents	N/A	85,599,791	-	85,599,791
Total			16,241,527	94,099,791	2,000,000	108,341,318

On 1 September 2011, the Company granted 8,500,000 options to certain employees and consultants pursuant to the Company's Employee Share Option Plan.

On 28 May 2012, 59,642,450 options (exercisable at $0.04 and expiring on 31 December 2014) were issued pursuant to the Company's pro rata non renounceable rights issue on the basis of one new share for every two fully paid ordinary shares held on 26 April 2012. On 5 June 2012, 25,957,341 options (exercisable at $0.04 and expiring on 31 December 2014) were issued pursuant to the allotment of shortfall of the Company's pro rata non renounceable rights issue.

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was $59,500 (2011: nil). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	$0.025
Weighted average life of the option:	3 years
Expected share price volatility:	74%
Risk-free interest rate:	6.25%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

	2012 $	2011 $
Reserves		
Reserves at the beginning of the year	(1,239,542)	904,237
Movements in share-based payment reserve	59,500	-
Movements in foreign currency translation reserve	(110,425)	(2,143,779)
Reserves at the end of the year	(1,290,467)	(1,239,542)
Comprises of:		
Share-based payment reserve	1,102,536	1,043,036
Foreign currency translation reserve	(2,393,003)	(2,282,578)
Reserves at the end of the year	(1,290,467)	(1,239,542)

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

15. CAPITAL RISK MANAGEMENT

The Consolidated Entity manages its capital to ensure their ability to continue as a going concern and to achieve returns to the shareholders and benefits for other stakeholders through the optimisation of debt and equity balance. The capital structure of the Consolidated Entity is adjusted to achieve its goals whilst ensuring the lowest cost of the capital.

Management monitors capital on the basis of the gearing ratio (net debt / total capital). During 2012, the Consolidated Entity's strategy is to utilise its operating facility and also achieve its expansion program. The gearing ratios at 30 June 2012 and 2011 were as follows:

Total borrowings	5,409,013	4,254,469
Less: cash and cash equivalents	(1,231,258)	(701,599)
Net debt	4,177,755	3,552,870
Total equity	9,800,719	15,181,984
Total capital	13,978,474	18,734,854
Gearing ratio	30.0%	19.0%

The major contributor to the movement in the gearing ratio has been the increase of borrowings during the year and the impairment of goodwill of $4,624,781.

16. ACCUMULATED LOSSES

	2012 $	2011 $
Accumulated losses at the beginning of the year	(30,350,328)	(25,925,784)
Loss for the year	(7,162,129)	(4,424,544)
Accumulated losses at the end of the year	(37,512,457)	(30,350,328)

17. SEGMENT REPORTING

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The entity has complied with AASB 8, which requires operating segments to be identified.

The continuing operations of the Consolidated Entity are predominantly in the scooter including electric and petrol scooters, ATV and engine manufacture and distribution industry.

In prior years, reported segments were based on the geographical segments of the Group, being Australia, Spain and China. This assessment of identifiable segments has not changed in the current year, as management accounts and forecasts submitted to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance are split into these same components.

The scooter, ATV and engine segments are managed on a worldwide basis, but operate in three principal geographical areas: Australia, China and Spain. In China, manufacturing facilities are operated in Nanjing.

17. SEGMENT REPORTING (cont'd)

Continuing Operations	Australia $A		China $A		Spain $A		Intersegment elimination $A		Consolidated $A	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenue										
Segment revenue	234,885	745,937	7,578,579	6,859,079	581,144	839,132	(152,952)	(1,332,426)	8,241,656	7,111,722
Result										
Segment result	(916,803)	(1,675,218)	(5,952,018)	(1,890,144)	(293,308)	(859,182)	-	-	(7,162,129)	(4,424,544)
Assets										
Segment assets	1,883,121	13,374,235	27,001,760	19,267,005	318,666	691,277	(13,993,815)	(13,873,702)	15,209,732	19,458,815
Liabilities										
Segment liabilities	(240,713)	(252,558)	(18,131,185)	(17,013,888)	(1,030,930)	(884,087)	13,993,815	13,873,702	(5,409,013)	(4,276,831)
Acquisition of non-current assets	1,545	2,864	1,172,810	1,586,109	-	-	-	-	1,174,355	1,588,973
Depreciation/impairment of non-current assets	(9,913)	(17,023)	(5,024,598)	(355,030)	(90,132)	(601,627)	-	-	(5,124,643)	(973,680)

The principal activity of the continuing Consolidated Entity is the manufacture, marketing and distribution of:

- Scooter including electric and petrol scooters; and
- ATVs.

The elimination of intersegment revenue is related to sales between entities within the Consolidated Group operating in China and Europe. These sales between the entities within the Consolidated Entity are at arm's length.

In addition, no revenue is derived from a single customer which comprises more than 10% of the total revenue of the Consolidated Entity.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Consolidated Entity's principal financial instruments comprise bank and other loans, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Consolidated Entity's operations.

The Consolidated Entity has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Consolidated Entity's policy that no trading in derivative instruments shall be undertaken.

Fair values

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The following table details the fair value of financial assets and liabilities of the Consolidated Entity:

	2012		2011	
	Carrying amount $	**Fair Value $**	**Carrying amount $**	**Fair Value $**
Financial assets				
Cash and cash equivalents	1,231,258	1,231,258	701,599	701,599
Trade and other receivables	1,716,318	1,716,318	1,430,216	1,430,216
Total financial assets	2,947,576	2,947,576	2,131,815	2,131,815
Financial liabilities				
Trade and other payables	1,873,753	1,873,753	1,718,811	1,718,811
Borrowings	3,535,260	3,535,260	2,535,658	2,535,658
Total financial liabilities	5,409,013	5,409,013	4,254,469	4,254,469
Net financial assets/ (liabilities)	(2,461,437)	(2,461,437)	(2,122,654)	(2,122,654)

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Sensitivity analysis

In managing interest rate and currency risks, the Company endeavours to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates will have an impact on consolidated earnings, although the extent of that impact will depend on the level of cash resources held by the Consolidated Entity. A general increase of one percentage point in interest rates would not be expected to materially impact earnings.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Interest rate risk

The Consolidated Entity's exposure to market risk for changes in interest rates relates primarily to the Consolidated Entity's short term debt obligations.

Cash includes funds held in term deposits and cheque accounts during the year, which earned interest at rates ranging between 0% and 4.79%, depending on account balances.

The following annual interest rates apply to the Consolidated Entity's credit facilities:

Bank operating facility	8.5% variable

All other financial assets and liabilities are non-interest bearing.

At balance date, the Consolidated Entity had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	2012 $	2011 $
Financial assets		
Cash and cash equivalents	1,231,258	701,599
Financial liabilities		
Bank operating facility	(3,535,260)	(2,161,072)
Other debt facility	-	(374,586)
Net exposure	(2,304,002)	(1,834,059)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre-tax profit and equity would have been affected as follows:

Judgements of reasonable possible movements:	2012 $	2011 $
<u>+1% (100 basis points)</u>		
Pre-tax profit increase/(decrease)	(23,040)	7,016
Equity increase/(decrease)	(23,040)	7,016
<u>-1% (100 basis points)</u>		
Pre-tax profit increase/(decrease)	23,040	(7,016)
Equity increase/(decrease)	23,040	(7,016)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Foreign currency risk

The Consolidated Entity is exposed to foreign currency on sales, purchases and borrowings that are denominated in a currency other than Australian Dollars. The currency giving rise to this risk is primarily Euro dollars, US dollars and Chinese RMB.

At balance date, the Consolidated Entity had the following exposure to Euro dollars, US dollars and Chinese RMB foreign currency that is not designated in cash flow hedges:

	2012 $	2011 $
Financial assets		
Cash and cash equivalents (EUR)	135,205	86,855
Cash and cash equivalents (USD)	85,912	34,122
Cash and cash equivalents (RMB)	933,005	516,597
	1,154,122	637,574
Trade and other receivables (EUR)	161,116	228,790
Trade and other receivables (USD)	521,930	116,138
Trade and other receivables (RMB)	585,013	711,402
	1,268,059	1,056,330
Financial liabilities		
Trade and other payables (EUR)	(462,683)	(396,876)
Trade and other payables (USD)	(306,127)	(131,852)
Trade and other payables (RMB)	(864,230)	(959,888)
	(1,633,040)	(1,488,616)
Borrowings (RMB)	(3,535,260)	(2,535,658)
Net exposure	(2,746,119)	(2,328,370)

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date.

At 30 June, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, equity would have been affected as follows:

Judgements of reasonable possible movements:	2012 $	2011 $
<u>AUD/USD, AUD/EUR and AUD/RMB +20%</u>		
Equity increase/(decrease)	353,315	388,395
<u>AUD/USD, AUD/EUR and AUD/RMB -20%</u>		
Equity increase/(decrease)	(529,972)	(582,592)

At this stage, the Consolidated Entity does not seek to hedge this exposure.

Credit risk

The credit risk on financial assets of the Consolidated Entity which have been recognised on the balance sheet is generally the carrying amount, net of any provision for impairment losses.

The Consolidated Entity continuously monitors credit risks arising from its trade receivables which are principally with significant and reputable companies. It is the Consolidated Entity's policy that credit verification procedures, including assessment of credit ratings, financial position, past experience and industry reputation, are performed on new customers that request credit terms. Risk limits are set for each customer and regularly monitored. Receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to bad debts is not significant.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

The total credit risk exposure of the Consolidated Entity could be considered to include the difference between the carrying amount of the receivable and the realisable amount. At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Details with respect to credit risk of trade and other receivables are provided in Note 6.

Liquidity risk

Liquidity risk arises from the possibility that the Consolidated Entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Consolidated Entity manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile; and
- managing credit risk related to financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Consolidated Group	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**
Financial liabilities due for payment								
Bank operating facility and loans	3,535	2,536	-	-	-	-	3,535	2,536
Trade and other payables	1,874	1,718	-	-	-	-	1,874	1,718
Total contractual outflows	**5,409**	**4,254**	**-**	**-**	**-**	**-**	**5,409**	**4,254**
Total expected outflows	**5,409**	**4,254**	**-**	**-**	**-**	**-**	**5,409**	**4,254**
Financial assets – cash flows realisable								
Cash and cash equivalents	1,231	702	-	-	-	-	1,231	702
Trade and other receivables	1,716	1,430	-	-	-	-	1,716	1,430
Total anticipated inflows	**2,947**	**2,132**	**-**	**-**		**-**	**2,947**	**2,132**
Net (outflow)/ inflow on financial instruments	**(2,462)**	**(2,122)**		**-**	**-**	**-**	**(2,462)**	**(2,122)**

Financial assets pledged as collateral

There are no financial assets have been pledged as security for debt and their realisation into cash is not restricted.

19. COMMITMENTS AND CONTINGENT LIABILITES

Operating lease commitments
Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	20,000	129,204
Later than one year but not later than five years	-	-
	20,000	129,204

The Consolidated Entity leases property under non-cancellable operating leases expiring within 1 year. Leases generally provide the Consolidated Entity with a right of renewal at which time all terms are renegotiated.

Contingent liabilities

The Company is currently a defendant in two proceedings brought against the Company by a former employee in relation to the employee's past employment. Having considered legal advice, the Directors believe that the claims can be successfully defended, without any losses (including for costs) being incurred by the Company.

20. LOSS PER SHARE

The calculation of basic loss per share at 30 June 2012 was based on the loss attributable to ordinary shareholders at $7,162,129 (2011: $4,424,544) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2012 of 627,032,552 (2011: 556,822,728) calculated as follows:

	Number 2012	Number 2011
Issued ordinary shares at 1 July	594,955,106	494,005,104
Effect of shares issued on 21 July 2010	-	21,172,603
Effect of shares issued on 15 October 2010	-	2,956,622
Effect of shares issued on 20 December 2010	-	37,128,265
Effect of shares issued on 1 February 2011	-	1,264,697
Effect of shares issued on 24 March 2011	-	295,437
Effect of shares issued on 21 November 2011	24,672,695	-
Effect of shares issued on 28 May 2012	5,555,735	-
Effect of shares issued on 5 June 2012	1,849,016	-
Weighted average number of ordinary shares at 30 June	627,032,552	556,822,728

The Company's potential ordinary shares are not considered dilutive and accordingly the basic loss per share is the same as the diluted loss per share.

21. CONTROLLED ENTITIES

	Country of Incorporation	Entity interest 2012	Entity interest 2011
Parent entity			
Vmoto Limited	Australia		
Controlled entities			
Capital Pacific Pty Ltd	Australia	100%	100%
West Surfing Products (USA) Pty Ltd (dormant)*	Australia	100%	100%
Vmoto Scooters & Motorcycles (NZ) Pty Ltd (dormant)*	Australia	100%	100%
Vmoto International Limited	Hong Kong	100%	100%
Vmoto E-Max International Limited	Hong Kong	100%	100%
Nanjing Vmoto Co, Ltd	China	100%	100%
Nanjing Vmoto Manufacturing Co, Ltd	China	100%	100%
Nanjing Vmoto E-Max Electric Vehicles Development Co, Ltd	China	100%	100%
Vmoto Europe Operations S.L.	Spain	100%	100%

* De-registered on 4 July 2012

22. KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of key management personnel

(i) Directors

Mr Charles Chen	Managing Director (Executive) – appointed Executive Director 5 January 2007 and Managing Director 1 September 2011
Mr Olly Cairns	Director (Non-Executive) – appointed 1 September 2011
Mr Jacky Chen	Director (Non-Executive) – appointed 1 September 2011
Mr Blair Sergeant	Director (Non-Executive) – appointed 18 January 2012
Mr Trevor Beazley	Director (Non-Executive) – appointed Non-Executive Director 26 October 2006, Executive Director 2 February 2010 and Non-Executive Director 1 January 2011, resigned 18 January 2012
Ms Shannon Coates	Director (Non-Executive) - appointed 21 June 2011, resigned 1 September 2011

(ii) Executives

Mr Ivan Teo	Chief Financial Officer – appointed 17 June 2009
Mr Michael Fulton	International Sales Manager – appointed 1 July 2010
Mr Klaus Rheinschmitt	Chief Technology Officer – appointed 1 July 2010
Ms Ping Wang	Vice General Manager – appointed 5 October 2009
Ms Zhengjie Wu	Vice General Manager – appointed 5 October 2009
Ms Alicia Atkinson	Chief Operating Officer – appointed 25 January 2011, terminated 11 August 2011

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Consolidated Entity's key management personnel (KMP) for the year ended 30 June 2012.

The totals of remuneration paid to KMP of the Company and the Consolidated Entity during the year are as follows:

	2012 $	2011 $
Short-term employee benefits	713,734	1,035,097
Share-based payments	44,000	-
Total KMP compensation	757,734	1,035,097

Option holdings of key management personnel

The movement during the year in the number of options over ordinary shares (Directors) held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

	Held at 1 July 2011	Held at date of appointment	Additions*	Granted as remuneration	Exercised	Held at date of resignation	Held at 30 June 2012
Directors							
Mr C Chen	2,000,000	N/A	13,221,526	-	-	N/A	15,221,526
Mr B Sergeant	N/A	3,500,000	2,647,118	-	-	N/A	6,147,118
Mr O Cairns	N/A	3,141,527	5,000,000	-	-	N/A	8,141,527
Mr J Chen	N/A	-	-	-	-	N/A	-
Mr T Beazley	1,500,000	N/A	-	-	-	1,500,000	N/A
Ms S Coates	N/A	-	-	-	-	-	N/A
Executives							
Mr I Teo	-	N/A	-	1,000,000	-	-	1,000,000
Mr M Fulton	-	N/A	-	1,100,000	-	-	1,100,000
Mr K Rheinschmitt	-	N/A	-	500,000	-	-	500,000
Ms P Wang	-	N/A	-	1,000,000	-	-	1,000,000
Mr ZJ W	-	N/A	-	800,000	-	-	800,000

The options held by specified directors are vested and exercisable. The options held by specified executives will be vested and exercisable on 1 September 2012.

*Additions represent the participation in the pro rata non-renounceable rights issue undertaken by the Company during the year.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

Share holdings and transactions of key management personnel

The movement during the year in the number of ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

	Held at 1 July 2011	Held at date of appointment	Additions / Purchases	Granted as remuneration	Received on exercise of options	Held at date of resignation	Held at 30 June 2012
Directors							
Mr C Chen	20,443,052	N/A	19,221,526	-	-	N/A	39,664,578
Mr B Sergeant	N/A	5,074,242	2,667,118	-	-	N/A	7,741,360
Mr O Cairns	N/A	2,488,888	7,000,000	-	-	N/A	9,488,888
Mr J Chen	N/A	-	2,777,777	-	-	N/A	2,777,777
Mr T Beazley	5,290,585	N/A	-	-	-	5,290,585	N/A
Ms S Coates	N/A	1,950,000	-	-	-	1,950,000	N/A
Executives							
Mr I Teo	-	N/A	2,750,000	-	-	N/A	2,750,000
Mr M Fulton	-	N/A	-	-	-	N/A	-
Mr K Rheinschmitt	-	N/A	-	-	-	N/A	-
Ms P Wang	-	N/A	-	-	-	N/A	-
Mr ZJ W	-	N/A	-	-	-	N/A	-

*Additions/purchases represent the acquisition of shares on market and/or participation on the pro rata non-renounceable rights issue undertaken by the Company during the year.

Other KMP Transaction

There have been no other transactions involving equity instruments other than those described in the table above.

23. RECONCILIATION OF CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES

	2012 $	2011 $
Cash flows from operating activities		
Loss for the year	(7,162,129)	(4,424,544)
Adjustments for:		
- Loss / (gain) on sale of plant and equipment	14,532	-
- Depreciation and impairment	5,124,643	973,680
Operating loss before changes in working capital and provisions	(2,022,954)	(3,450,864)
(Increase)/decrease in receivables	(267,100)	(500,693)
(Increase)/decrease in inventories	992,516	(1,013,522)
(Increase)/decrease in other assets	437,322	570,218
(Decrease)/ increase in payables	652,778	(1,254,585)
Net cash (used in) operating activities	(207,438)	(5,649,446)

24. NON-DIRECTOR RELATED PARTIES

Non-director related parties are the Company's controlled entities. Details of the Company's interest in controlled entities are set out in Note 21. Details of dealings with these entities are set out below.

Transactions
The loans to controlled entities are unsecured, interest-free and of no fixed term. The loans are provided primarily for capital purchases and working capital purposes.

Receivables
Aggregate amounts receivable from non-director related parties:

	Company	
	2012	**2011**
	$	**$**
Non-current		
Unsecured loans to controlled entities	23,130,547	22,233,866
Provision for non recovery	(23,130,547)	(22,233,866)
	-	-

25. SUBSEQUENT EVENTS

Strategic Co-operation Agreement with PowerEagle

On 3 July 2012, the Company entered into a Strategic Co-operation Agreement with PowerEagle pursuant to which Vmoto has agreed to produce all of PowerEagle's electric vehicle models on an Original Equipment Manufacture ("OEM") basis. PowerEagle is a Chinese company specialising in the manufacture and development of electric bicycles, electric scooters, electric motorcycles and go carts, selling domestically within China and into 30 countries worldwide.

Appointment of an Experienced General Manager

On 6 July 2012, the Company announced that it had appointed Mr George Hou as General Manager to its manufacturing facility in Nanjing, China. Mr Hou has a technical background, having completed a Bachelors Degree in Motor Vehicle Design and Manufacturing at Wuhan University of Technology in China and has approximately 17 years of management experience in the electric vehicle manufacturing industry in China.

Performance Rights

On 6 August 2012, following shareholder approval at the Company's general meeting held on 31 July 2012, the Company granted a total of 32,000,000 performance rights to Directors Charles Chen, Blair Sergeant and Olly Cairns.

The performance rights comprise:

a) 2,000,000 performance rights issued to Mr Blair Sergeant pursuant to his Non-Executive Director Appointment Agreement, which will vest on 18 January 2013 subject to Mr Sergeant having served as a Director of the Company for 12 consecutive months, commencing 18 January 2012; and
b) 30,000,000 performance rights issued under the Company's Performance Rights Plan (10,000,000 each to Mr Charles Chen, Mr Blair Sergeant, Mr Olly Cairns), subject to the following performance conditions:

25. SUBSEQUENT EVENTS (cont'd)

Number of Performance Rights	Class	Performance Conditions	Time of vesting
1,000,000	A	- The volume weighted average price of the Shares for 10 consecutive trading days on ASX (**VWAP**) exceeds 3 cents at any time on or before 31 December 2013; and - the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 3 cents
1,000,000	B	- The VWAP exceeds 3 cents at any time on or before 31 December 2013; and - the Participating Director remains a Director at the time of vesting.	The date 12 months after the date the VWAP first exceeds 3 cents
1,000,000	C	- The VWAP exceeds 3 cents at any time on or before 31 December 2013; and - the Participating Director remains a Director at the time of vesting.	The date 24 months after the date the VWAP first exceeds 3 cents
1,000,000	D	- The VWAP exceeds 4 cents at any time on or before 31 December 2014; and - the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 4 cents
1,000,000	E	- The VWAP exceeds 4 cents at any time on or before 31 December 2014; and - the Participating Director remains a Director at the time of vesting.	The date 12 months after the date the VWAP first exceeds 4 cents
1,000,000	F	- The VWAP exceeds 4 cents at any time on or before 31 December 2014; and - the Participating Director remains a Director at the time of vesting.	The date 24 months after the date the VWAP first exceeds 4 cents
1,333,333	G	- The VWAP exceeds 5 cents at any time on or before 31 December 2015; and - the Participating Director remains a Director at the time of vesting.	The date the VWAP first exceeds 5 cents
1,333,333	H	- The VWAP exceeds 5 cents at any time on or before 31 December 2015; and - the Participating Director remains a Director at the time of vesting.	The date 12 months after the date the VWAP first exceeds 5 cents
1,333,334	I	- The VWAP exceeds 5 cents at any time on or before 31 December 2015; and - the Participating Director remains a Director at the time of vesting.	The date 24 months after the date the VWAP first exceeds 5 cents

All Performance Rights convert to fully paid ordinary Shares for nil cash consideration, subject to the performance based vesting conditions. At the date of this report, Performance Rights over unissued ordinary shares of the Company are:

Expiry Date	Exercise Price	Number
18 January 2013	Nil	2,000,000
31 December 2013	Nil	9,000,000
31 December 2014	Nil	9,000,000
31 December 2015	Nil	12,000,000

25. SUBSEQUENT EVENTS (cont'd)

Change of Financial Year End

The Company announced on 13 August 2012 that it will change its financial year end from 30 June to 31 December, effective from 31 December 2012. The Directors believe it is in the best interests of the Company to make the change which will see Vmoto align its financial year end with that of its Chinese subsidiaries, which together form the most part of the Company's consolidated financial statements.

Other than the above and as noted elsewhere in the financial statements, 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 Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

26. PARENT ENTITY DISCLOSURES

Financial position	**30 June 2012** **$**	**30 June 2011** **$**
Assets		
Current assets	371,526	122,278
Non-current assets	5,668,575	4,795,838
Total assets	6,040,041	4,918,116
Liabilities		
Current liabilities	208,376	177,870
Non-current liabilities	-	-
Total Liabilities	208,376	177,870
Equity		
Issued capital	48,603,643	46,771,854
Accumulated losses	(43,874,514)	(43,074,644)
Reserves		
Option premium reserve	1,102,536	1,043,036
Total equity	5,831,665	4,740,246
Financial performance		
Loss for the year	799,870	1,470,751
Other comprehensive income	-	-
Total comprehensive income	799,870	1,470,751

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has not entered into any guarantees in relation to the debts of its subsidiaries during the year ended 30 June 2012.

Commitments for the acquisition of property, plant and equipment by the parent entity

The parent entity has no commitments for any acquisition of property, plant and equipment.

DIRECTORS' DECLARATION

In the opinion of the Directors of Vmoto Limited:

(a) the financial statements and notes, set out on pages 29 to 66, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2012 and their performance, as represented by the results of their operations and their cashflows, for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the attached financial statements also comply with International Financial Reporting Standards, as stated in note 1 to the financial statements; and

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

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2012.

Signed in accordance with a resolution of the Directors:

Yi Ting (Charles) Chen
Managing Director

Dated at Perth, Western Australia this 27th day of August 2012.

William Buck

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF VMOTO LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2012 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.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124
Registered Company Auditor No. 339150

Stephen K. Breihl

Stephen K. Breihl
Director

Dated this 27 August 2012

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

From 2 July 2012, Street Address:
Level 3, 15 Labouchere Road, (corner Mill Point Road), South Perth WA 6151

Level 3, South Shore Centre, 83 South Perth Esplanade, South Perth WA 6151
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VMOTO LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report
We have audited the accompanying consolidated financial report of comprising Vmoto Limited (the Company) and the entities it controlled at year's end or from time to time during the financial year (the consolidated entity). The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives and true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a)(i), 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

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William Buck

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VMOTO LIMITED AND CONTROLLED ENTITIES (CONT)

Auditor's Opinion

In our opinion:

a) the financial report of the consolidated entity 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 2012 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 22 of the directors' report for the year ended 30 June 2012. 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 Company Name for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Vmoto Limited for the year ended 30 June 2012 included on Vmoto's web site. The company's directors are responsible for the integrity of Vmoto's web site. We have not been engaged to report on the integrity of Vmoto's web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

William Buck.

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124
Registered Company Auditor No. 339150

Stephen K. Breihl

Stephen K. Breihl
Director

Dated this 27 August 2012