Ellect Holdings Limited

(formerly Intellect Holdings Limited)

ABN 50 009 366 009

Annual Report

for the year ended 30 June 2010

Contents

Corporate Directory

Offices	Unit 2 278-284 Sussex Street Sydney NSW 2000 Australia
Board of Directors	Mr W J McLeland (Non Executive Chairman) Dr A C Sullivan (Non Executive Director)
Company Secretary	Mr I Morgan
Share Registry	Computershare Investors Services Pty Ltd Level 2, Reserve Bank Building 45 St George's Terrace Perth WA 6000 Australia
Registered Office	Unit 2 278-284 Sussex Street Sydney NSW 2000 Australia
Corporate Advisor	Pendulum Capital Pty Limited Ground Floor, 110 Hay Street Subiaco WA 6008 Australia
Securities Exchange Listing	Ellect Holdings Limited shares are suspended from the Australian Securities Exchange pending re-construction and re-capitalisation.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of Ellect Holdings Limited (being the Company and its controlled entities) for the year ended 30 June 2010.

DIRECTORS

The following persons were Directors of Ellect Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr W J McLeland	Non Executive Chairman Appointed 21 April 2005
Dr AC Sullivan	Non Executive Director Appointed 9 August 2007

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity are electronic payment product development and distribution.

CONSOLIDATED RESULTS

The consolidated net profit of the Consolidated Entity for the year ended 30 June 2010, before income tax is $431,203 (2009 $12,325,409). There was no income tax expense for the year ended 30 June 2010 (2009 $Nil).

DIVIDEND PAYMENT

The Directors recommend that no dividend be declared or paid.

REVIEW OF OPERATIONS

Ellect Holdings operated with one subsidiary entity, a 100% owned Australian subsidiary Intellect Australia Pty Ltd.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

1. On 23 May 2008 Ellect Holdings Limited obtained a voluntary suspension from trading on the ASX for the reason to re-structure and recapitalise.

2. On 6 June 2008 the Board of Ellect Holdings Limited appointed Messrs Michael Ryan and Ian Francis as Joint and Several Administrators of Ellect Holdings Limited and Intellect Australia Pty Ltd pursuant to Section 436A of the Corporations Act 2001.

3. The first meetings of the creditors of Ellect Holdings Limited and Intellect Australia Pty Ltd were held concurrently on 18 June 2008. A committee of creditors was not appointed at that meeting to either Ellect Holdings Limited or Intellect Australia Pty Ltd.

4. Following two separate applications to the Supreme Court of Western Australia, the convening period for the holding of the second meeting of creditors was extended initially to 26 August 2008 and subsequently to 10 October 2008.

5. The second concurrent meetings of creditors of Ellect Holdings Limited and Intellect Australia Pty Ltd were held on 16 October 2008.

6. The purpose of the second meeting was for creditors to decide on Ellect Holdings Limited and Intellect Australia Pty Ltd's individual future and, in particular, whether:

   (i) Ellect Holdings Limited and Intellect Australia Pty Ltd would be required to execute a Deed of Company Arrangement (**DOCA**); or
   (ii) Whether the administrations should end; or
   (iii) Whether Ellect Holdings Limited and Intellect Australia Pty Ltd should be wound up.

Directors' Report (continued)

7. At the second meetings, creditors approved Ellect Holdings Limited and Intellect Australia Pty Ltd executing the DOCAs.

8. The appointment of the Administrators ended on 5 November 2008, although the Administrators were still required to administer the Deed of Company Arrangement and were appointed DOCA administrator, also effective 5 November 2008.

9. An extraordinary general meeting of Ellect Holdings Limited's members was held on 15 January 2009 (**Meeting**).

10. The purpose of the Meeting was to consider resolutions enabling Ellect Holdings Limited to:
    (i) issue up to 585,000,000 ordinary fully paid shares to creditors;
    (ii) issue up to 4,156,465 notes to secured creditors;
    (iii) dispose of its main undertaking to 'New Co', a company to be owned by secured creditors on implementation of the Proposal (refer clause 11 below);
    (iv) consolidate its ordinary fully paid shares, whereby every 100 ordinary fully paid shares would be consolidated into 1 ordinary fully paid share; and
    (v) change its name to from Intellect Holdings Limited to Ellect Holdings Limited.

11. The DOCA contained the Proposal comprising Ellect Holdings Limited:
    (i) transferring its and Intellect Australia Pty Ltd's key assets to 'New Co', a company to be owned by the secured creditors on implementation of the proposal;
    (ii) continuing as a company listed on the ASX, without its key assets;
    (iii) issuing ordinary fully paid shares to creditors which will result in them acquiring approximately 91% of the Ellect Holdings Limited's ordinary fully paid shares, with existing shareholders' interests in Ellect Holdings Limited diluted to approximately 9% of Ellect Holdings Limited's ordinary fully paid shares;
    (iv) issuing approximately 4.16 million notes to secured creditors which, if fully converted, would dilute existing shareholders interests in Ellect Holdings Limited to approximately 7% of Ellect Holdings Limited's ordinary fully paid shares; and
    (v) obtaining a release of pre-administration debt, except as provided in the DOCA.

12. On 30 January 2009, ASIC changed the name from Intellect Holdings Limited to Ellect Holdings Limited.

13. During the period from 15 January 2009 to 28 April 2009:
    (i) Key Ellect Holdings Limited assets were transferred to New Co; and
    (ii) De-registration of a lien held by a former employee (Mr Thomas Ream) over shares held by Ellect Holdings Limited in Intellect International NV (a wholly owned subsidiary) was approved by a Belgian Court.

14. On 28 April 2009, the Administrators made application for the issue to creditors of 560,667,245 pre-consolidation ordinary fully paid shares and 4,156,165 pre-consolidation notes. These ordinary fully paid shares and notes were allotted and issued to creditors on 28 April 2009 and 5 May 2009 respectively.

15. On or about 28 April 2009, key assets of Ellect Holdings Limited were transferred to an entity owned by secured creditors and existing shareholders' interests in the asset-less Ellect Holdings Limited were substantially diluted.

16. On 5 May 2009, Ellect Holdings Limited's ordinary fully paid shares and notes were consolidated into 1 for every 100. Post-consolidation ordinary fully paid shares total 6,186,070. Post-consolidation notes total 41,569.

SUBSEQUENT EVENTS

Other than the following, there are no matters or circumstances that have arisen since the end of the financial year which significantly affect, or may significantly affect, the operations, results, state of affairs of the Consolidated Entity that have not otherwise been disclosed elsewhere in this report:

1. Ellect Holdings Limited remains suspended by the ASX;
2. The DOCA was finalised by 17 August 2010, when the Administrators resigned as DOCA Administrators; and
3. In connection with re-organisation of the Consolidated Entity, certain inter-company and third party debts have been released. Terms of the release include:

a. Releasing debt by Ellect Holdings Limited (effective from the date of a creditor deed) in favour of the respective Group company, and the mutual release from all claims and liabilities in connection with the debt being released;
b. Releasing debt by the respective Group company (effective from the date of a creditor deed) in favour of the Company, and the mutual release from all claims and liabilities in connection with the debt being released;
c. Excepting a remaining loan totalling $200,000, all inter-company debts have been released;
d. The $200,000 remaining loan is not recoverable from the Ellect Holdings Limited with the present financing arrangements but in the event that any investment is made by third parties in Ellect Holdings Limited leaving remnant funds owing to the lender's related parties, then the $200,000 remaining loan will leave a mechanism to recoup these funds; and
e. The Convertible Notes outstanding at 30 June 2010 matured 5 May 2011 (refer to Note 21 for more details). At a meeting of Convertible Note holders held 10 October 2011, the Note holders resolved to assent to the term of their Convertible Notes being extended by 2 years to 5 May 2013 (by means of a formal amendment by the Security Trustee, by agreement with the Company, of the Amended and restated Convertible Note Issue Trust Deed, to take effect from 1 April 2011).

LIKELY DEVELOPMENTS

Disclosure of information as to likely developments in the operations of the Consolidated Entity and the expected results of those operations in subsequent financial years have not been included because, in the opinion of the Directors, it would prejudice the interests of the Consolidated Entity and provide confidential information to competitors.

ENVIRONMENTAL REGULATION AND PERFORMANCE

For the year ended 30th June 2010, the Consolidated Entity had no operations. For the year ended 30th June 2009, the Consolidated Entity's operations were subject to environmental regulations under legislation in the countries in which it operated. For details of the countries where the Consolidated Entity operated, refer to Note 28 of the financial statements.

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

DIRECTORS' INFORMATION

Director	Date Appointed	Responsibilities	Security holding post 1:100 consolidation(at date of report)
			Ordinary Shares
Mr WJ McLeland (indirectly)	21 April 2005	Chairman, Non-Executive Director Audit committee member	1,500[1]
Dr AC Sullivan	9 August 2007	Non-Executive Director	-

Names, Qualifications, Experience and Special Responsibilities

Mr W J McLeland (Appointed 21 April 2005)

Mr Warren J McLeland was appointed as a Director of Ellect Holdings Limited on 21 April 2005. A banker by profession, Mr McLeland is an Australian with 33 years international business experience, including 14 years in Europe. He is a graduate of the University of Sydney and also has an MBA from the Australian Graduate School of Management at the University of New South Wales. The majority of his overseas career was with the American bank now called JP Morgan Chase. Mr McLeland is a director of a number of companies in Australia and the United Kingdom, and consults to government and corporations.

[1] In addition to 1,500 post consolidation shares held indirectly by Mr McLeland, he is also a director of:
1) Eclectic Investments Trust plc which directly holds: 397,097 post consolidation shares; 8,000 post consolidation options each to acquire one ordinary fully paid Share for an exercise price of $80.00 expired 5 January 2010; and 3,302 post consolidation Convertible Notes issued 5 May 2009; and
2) Utilico Limited which directly holds: 2,822,292 post consolidation shares; 12,400 post consolidation options each to acquire one ordinary fully paid Share for an exercise price of $80.00 expired 5 January 2010; and 23,462 post consolidation Convertible Notes issued 5 May 2009.

Directors' Report (continued)

Mr A C Sullivan (Appointed 9 August 2007)

Dr Sullivan has over thirty (30) years experience through his involvement in engineering and technology companies. He was Managing Director and Chief Executive of the ERG Group of Companies from January 2004 until July 2007.

Prior to ERG, Dr Sullivan was a member of the Siemens Building Technology Executive Board and global head of the Siemens HVAC Products Division based in Switzerland. He also spent time working in the Asia Pacific region having worked for ABB based in Hong Kong and country manager for ABB in Korea.

Dr Sullivan commenced his career at the Electricity Commission of NSW Australia; and worked in various senior management positions in Australia, Holland, Hong Kong, Korea and Switzerland.

Former directorships in last 3 years

The information set out below relates to the directors as at 30 June 2010 in relation to their directorships in listed companies only. Information on directors resigned/retired since the beginning of previous financial year is not available and consequently not disclosed.

Mr WJ McLeland	Trust Company of Australia Limited (appointed 3 May 2005) Wilson HTM Investment Group Limited (appointed March 2007)
Dr AC Sullivan	eBet Limited (appointed 2 March 2009) Freshtel Holdings Limited (appointed 22 May 2009).

COMPANY SECRETARY INFORMATION

Mr I Morgan (Appointed 29 January 2008)

Mr Morgan is a Chartered Accountant and Chartered Company Secretary with over 29 years experience in corporate management, corporate administration, finance and accounting obtained whilst working for a number of listed and unlisted companies. He holds the position of Company Secretary with other ASX listed and unlisted companies.

DIRECTORS' BENEFITS

No director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors as detailed in the consolidated financial statements) by reason of a contract made by the Consolidated Entity or a controlled entity with the director or with a firm of which the director is a member, or with a company in which the director has a substantial interest, except for any benefit that may be deemed to have arisen in relation to the contracts disclosed in Notes 24 & 27 of the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No material contracts involving directors' interests were entered into since the end of the previous financial year, or existed at the end of the financial year, other than the transactions detailed in Notes 24 & 27 of the financial statements.

DIRECTORS' MEETINGS

No Board meetings were held during the financial year. As is permitted under section 248A of the Corporations Act 2001 (Clth), during the financial year Directors did make certain circular resolutions.

One audit committee meeting was held during the year. No remuneration committee meetings were held during the year. The number of directors' Board and Audit Committee meetings attended during the financial year were:

	Number of Board Meetings Attended	Number of Board Meetings eligible to attend	Audit Committee Meetings Attended	Audit Committee Meetings eligible to attend
Mr W J McLeland	-	-	1	1
Dr AC Sullivan	-	-	1	1

Directors' Report (continued)

Remuneration Report

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Service agreements

D. Share-based compensation

E. Additional information.

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

A. Principles used to determine the nature and amount of remuneration (audited)

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns key executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

The Group has structured remuneration framework for the key executives that is market competitive and complimentary to the reward strategy of the organisation.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. The Board has also agreed to ensure non-executive directors' fees and payments are appropriate and in line with the market.

Executive pay

The executive pay and reward framework has four components:

1) base pay and benefits
2) short-term performance incentives
3) long-term incentives through participation in Share or Option issues, and
4) other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

Base pay is structured as a total employment cost package, which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Remuneration Report (continued)

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion**.**

There are no guaranteed base pay increases included in any senior executives' contracts.

Benefits

Executives receive benefits including car allowances.

Short-term incentives

If the Group achieves a pre-determined EBITDA target set by the Board, a short-term incentive (STI) is available to certain key executives during the annual review. Using an EBITDA target ensures variable reward is only available when value has been created for shareholders and is consistent with the business plan.

Each year, the Board considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

The Board is responsible for assessing whether the KPIs are met. To help make this assessment, the Board receives detailed reports on performance from management.

The short-term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Board.

The STI target annual payment is reviewed annually.

B. Details of remuneration (audited)

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of Ellect Holdings Limited and controlled entities are set out in the following tables.

Any cash bonuses would be dependent on the satisfaction of performance conditions as set out in the section headed *Short-term incentives* above. All other elements of remuneration are unrelated to performance.

Key management personnel of Ellect Holdings Limited

With the exception of non-executive directors of Ellect Holdings Limited there were no key management personnel of Ellect Holdings Limited for the years ended 30th June 2009 and 30th June 2010. Disclosure of non-executive remuneration is included within the disclosure for key management personnel of the Group.

Directors' Report (continued)

Remuneration report (continued)

Key management personnel of the Group

	Short-term employee benefits			Post-employment benefits		Share based payment		Termination benefits	Total
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Options $	Shares $	$	$
2010									
Non-executive directors									
Mr W McLeland *Chairman*	-	-	-	-	-	-	-	-	-
Dr AC Sullivan	-	-	-	-	-	-	-	-	-
Company Secretary									
Mr Ian Morgan	27,670	-	-	-	-	-	-	-	27,670
Totals	27,670	-	-	-	-	-	-	-	27,670
2009									
Non-executive directors									
Mr W McLeland *Chairman*	-	-	-	-	-	-	-	-	-
Dr AC Sullivan	-	-	-	-	-	-	-	-	-
Company Secretary									
Mr Ian Morgan	17,402	-	-	-	-	-	-	-	17,402
Totals	17,402	-	-	-	-	-	-	-	17,402

Directors' Report (continued)

Remuneration report (continued)

C. Share based compensation (audited)

Options are granted under the Employee Share Option Plan (ESOP) which was approved by shareholders at the November 2000 Annual General Meeting. The Company has issued Options to the Group General Manager. Details are:

Options

250,000 pre-consolidation Options (2,500 post 1:100 consolidation) were granted to the Group General Manager for no consideration.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Expiry date	Pre-consolidation Exercise price	Pre-consolidation value at Grant Date per option	Date exercisable
23 June 2006	31 December 2009	$0.80 ($80.00 post 1:100 consolidation)	$0.1597 ($15.97 post 1:100 consolidation)	On or before 31 December 2009

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

The pre-consolidation exercise price of options was $0.80 each (post 1:100 consolidation $80.00 each).

The options granted above vested immediately and the assessed fair value at grant date is included in the remuneration tables above.

Fair values at grant date were independently determined using a Binomial Tree option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

No options have been granted or vested during the year to any other directors or key management personnel.

No ordinary shares have been issued as a result of exercise of share options by directors or key management personnel during the year

Directors' Report (continued)

D. Additional Information (unaudited)

Principles used to determine the nature and amount of remuneration: relationship between remuneration and Company performance.

The overall level of executive reward, and ultimately retention of their employment, takes into account the performance of the Company over a number of years, with emphasis on the current year.

In 2001/02 the Company recorded a profit of $7.8 million. Six years on, in 2007/08, the Company reported a loss of approximately $16 million (2007 $11 million loss). Over the same period total net assets has reduced from approximately $23 million to negative $29 million. These results have impacted shareholder wealth accordingly.

As a result, the Company has seen significant changes in personnel at both Board and management level, with a new Board and management team in place today compared to ten years ago.

To address the declining profitability and net asset position over this period, the Company underwent substantial restructuring, including:

1) Reorganisation of the Company's capital base;
2) Significant restructuring of debt;
3) Spin-off of some activities (such as Touch Holdings Limited (formerly TAFMO Limited));
4) Injection of new capital; and
5) Appointment of Joint and Several Administrators for the purpose of further re-structuring and re-capitalising the Company

The Company reduced overheads to a more sustainable level, including reduction of headcount (in 2007 by almost 50%), the closure of some international offices, the centralising of operations nearer the Company's major customer base in Europe and streamlining of the Company's management structure.

Following implementation of the DOCA (deed of company arrangement) proposal, Ellect Holdings Limited, is effectively an asset-less listed "shell".

Based on recent market transactions, the Administrator's sale campaign and the alternative indicative DOCA proposals received by the Administrator, the shell of a listed public company may be valued between $500,000 and $1 million. However, recent regulatory developments and market changes may have caused a decrease in the market value of such a shell.

Loans to directors and executives

There are no loans to directors or executives

Shares under option

There are no unissued ordinary shares of Ellect Holdings Limited under option at the date of this report.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

No ordinary shares have been issued as a result of share options being exercised during the financial year.

Insurance of officers

The directors and company secretary of the Company and its Australian based controlled entities and officers of the Group were not insured for the year ended 30th June 2010 by the Company and no insurance premium was paid (2009 $Nil).

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

Non - audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. No non-audit services were provided in the current year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

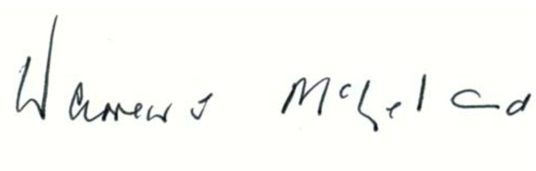
Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

UHY Haines Norton continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.



Warren J McLeland

Chairman

21st October 2011

ELLECT HOLDINGS LIMITED AND CONTROLLED ENTITIES

Auditor's Independence Declaration

Under Section 307C of the Corporations Act 2011

To The Directors of Ellect Holdings Limited

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

i. no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
ii. no contraventions of any applicable code of professional conduct in relation to the audit.

M Nicholaeff

UHY Haines Norton

Mark Nicholaeff

Partner

Signed at Sydney on 21 October 2011

UHY Haines Norton

Chartered Accountants

CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2010. The Company is a small company with limited operations. Accordingly the Board considers that many of the corporate governance guidelines intended to apply to larger companies are not practical for the Company.

ASX Principles/Recommendations	Compliance		Disclosure Requirement for Non Compliance
Principle 1			
Principle 1 – Lay solid foundations for management and oversight. Companies should establish and disclose the respective roles and responsibilities of board and management.			
Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions. Box 1.1 Content of a director's letter upon appointment	Comply		Not Applicable
Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.	Comply		Not Applicable
Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	Comply		Not Applicable
Principle 2 – Structure the board to add value Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.			
Recommendation 2.1: A majority of the board should be independent directors. Box 2.1: Relationships affecting independent status.	Comply		Not Applicable
Recommendation 2.2: The chair should be an independent director.	Comply		Not Applicable
Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Comply		Not Applicable
Recommendation 2.4: The board should establish a nomination committee.	Does not comply		The Board considers that given the current size, scale and level of complexity of the Company's operations, it is not presently justified to set up a discrete Nominations Committee. The Board as a whole operates as a Nominations Committee.

ASX Principles/Recommendations	Compliance		Disclosure Requirement for Non Compliance
Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Comply		Not Applicable
Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Comply		Not Applicable
Principle 3			
Principle 3 – Promote ethical and responsible decision-making. Companies should actively promote ethical and responsible decision-making.			
Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. • Box 3.1: Suggestions for the content of a code of conduct	Does not comply		The Board considers that given the current size, scale and level of complexity of the Company's operations, it is not presently justified to establish a code of conduct.
Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them. Box 3.2: Suggestions for the content of a diversity policy.	Does not comply		The Board considers that given the current size, scale and level of complexity of the Company's operations, it is not presently justified to establish a diversity policy.
Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Does not comply		The Board considers that given the current size, scale and level of complexity of the Company's operations, it is not presently justified to disclose measurable objectives for achieving gender diversity.
Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Does not comply		The Board considers that given the current size, scale and level of complexity of the Company's operations, it is not presently justified to disclose the proportion of women employees.

ASX Principles/Recommendations	Compliance		Disclosure Requirement for Non Compliance
Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.	Comply		Not Applicable
Principle 4			
Principle 4 – Safeguard integrity in financial reporting Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.			
Recommendation 4.1: The board should establish an audit committee.	Comply		Not Applicable
Recommendation 4.2: The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	Does not comply		The Board considers that the structure of the audit committee is appropriate for the current size, scale and level of complexity of the Company's operations.
Recommendation 4.3: The audit committee should have a formal charter.	Comply		Not Applicable
Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	Comply		Not Applicable
Principle 5			
Principle 5 – Make timely and balanced disclosure. Companies should promote timely and balanced disclosure of all material matters concerning the company.			
Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. Box 5.1: Continuous disclosure policies	Does not comply		The Board considers that given the current size, scale and level of complexity of the Company's operations, it is not presently justified to establish continuous disclosure policies.
Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	Comply		Not Applicable
Principle 6			

ASX Principles/Recommendations	Compliance		Disclosure Requirement for Non Compliance
Principle 6 – Respect the rights of shareholders. Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.			
Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. Box 6.1: Using electronic communications effectively	Does not comply		The Board considers that given the current size, scale and level of complexity of the Company's operations, it is not presently justified to establish communications policies.
Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.	Comply		Not Applicable
Principle 7			
Principle 7 – Recognise and manage risk Companies should establish a sound system of risk oversight and management and internal control.			
Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Does not comply		The Board considers that given the current size, scale and level of complexity of the Company's operations, it is not presently justified to establish policies for the oversight and management of material business risks.
Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Does not comply		The Board considers that given the current size, scale and level of complexity of the Company's operations, it is not presently justified for management to design and implement a risk management and internal control system.
Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Comply		Not Applicable
Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	Comply		Not Applicable

ASX Principles/Recommendations	Compliance		Disclosure Requirement for Non Compliance
Principle 8			
Principle 8 – Remunerate fairly and responsibly. Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.			
• Recommendation 8.1: The board should establish a remuneration committee.	Comply		Not Applicable
Recommendation 8.2: The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members.	Does not comply		The Board considers that the structure of the remuneration committee is appropriate for the current size, scale and level of complexity of the Company's operations.
• Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. • Box 8.1: Guidelines for executive remuneration packages • Box 8.2: Guidelines for non-executive director remuneration	Does not comply		The Board considers that the structure of remuneration is appropriate for the current size, scale and level of complexity of the Company's operations.
• Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.	Comply		Not Applicable

FINANCIAL REPORT

This financial report covers both Ellect Holdings Limited as an individual entity and the Consolidated Entity consisting of Ellect Holdings Limited and its subsidiaries. The financial report is presented in the Australian dollars, which is the Ellect Holdings Limited functional and presentation currency.

Ellect Holdings Limited is a listed public company limited by shares, which are suspended from quotation, incorporated and domiciled in Australia. Its registered office is at:

Unit 2
278-284 Sussex Street
Sydney NSW 2000
Australia

A description of the nature of the Consolidated Entity's operations and its principal activities is included on page 4 in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 21st October 2011.

The Company has the power to amend and reissue the financial report.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Notes	Consolidated 2010 $	Consolidated 2009 $	Parent entity 2010 $	Parent entity 2009 $
Revenue from continuing operations	5	**20,640**	75,300	**20,640**	38,726
Other income	6	**605,778**	8,071,668	**1,114,357**	-
Changes in inventories of finished goods and work in progress		**-**	588,887	**-**	-
Employee benefits expense		**-**	(49,358)	**-**	-
Depreciation and amortisation expense	7	**-**	(39,206)	**-**	-
Bad debts written off	7	**-**	(1,429,381)	**(77,573)**	(1,429,381)
Write off Financial Assets		**-**	-	**(26,117)**	-
Consultancy fees		**(23,263)**	20,751	**-**	-
Occupancy costs	7	**-**	(2,170)	**-**	-
Travel costs		**-**	(45)	**-**	-
Other (expenses) / benefits		**(105,688)**	148,972	**(127,011)**	(9,534)
Profit / (Loss) before income tax		**497,467**	7,385,418	**904,296**	(1,400,189)
Income tax expense	8	**-**	-	**-**	-
Profit / (Loss) from continuing operations		**497,467**	7,385,418	**904,296**	(1,400,189)
(Loss) / Profit from discontinued operations, net of income tax:					
Profit from disposal of investments	9	**-**	14,004,502	**-**	14,894,901
Loss from discontinued operation	9	**(66,264)**	(9,064,511)	**-**	-
		(66,264)	4,939,991	**-**	14,894,901
Profit attributable to members of Ellect Holdings Limited		**431,203**	12,325,409	**904,296**	13,494,712
Other Comprehensive Income					
Exchange differences on translation of foreign operations		**-**	96,679	**-**	-
Total Comprehensive Income attributable to members of Ellect Holdings Limited		**431,203**	12,422,088	**904,296**	13,494,712

	Notes	2010 $	2009 $
Profit per share			
Basic profit per share	31	**0.07**	7.97
Diluted profit per share	31	**0.07**	7.97
Continuing operations		**$**	$
Basic profit per share	31	**0.08**	4.78
Diluted profit per share	31	**0.08**	4.78

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	Consolidated 2010 $	Consolidated 2009 $	Parent entity 2010 $	Parent entity 2009 $
ASSETS					
Current assets					
Cash and cash equivalents	10	**90**	88,235	**60**	74,009
Trade and other receivables	11	**-**	31,694	**-**	65,222
Total current assets		**90**	119,929	**60**	139,231
Non-current assets					
Receivables	13	**-**	2,547	**-**	-
Total non-current assets		**-**	2,547	**-**	-
Total assets		**90**	122,476	**60**	139,231
LIABILITIES					
Current liabilities					
Trade and other payables	16	**22,016**	61,626	**22,016**	600,009
Financial liabilities	17	**200,000**	547,393	**200,000**	525,443
Provisions	18	**-**	237	**-**	-
Other	19	**-**	145,749	**-**	119,431
Total current liabilities		**222,016**	755,005	**222,016**	1,244,883
Non-current liabilities					
Deferred tax liabilities	20	**-**	20,600	**-**	20,600
Financial liabilities	21	**4,156,465**	4,156,465	**4,156,465**	4,156,465
Total non-current liabilities		**4,156,465**	4,177,065	**4,156,465**	4,177,065
Total liabilities		**4,378,481**	4,932,070	**4,378,481**	5,421,948
Net assets		**(4,378,391)**	(4,809,594)	**(4,378,421)**	(5,282,717)
EQUITY					
Contributed equity	22	**96,001,299**	96,001,299	**96,001,299**	96,001,299
Reserves	23	**1,068,755**	1,068,755	**39,919**	39,919
Accumulated losses	23	**(101,448,445)**	(101,879,648)	**(100,419,639)**	(101,323,935)
Total equity		**(4,378,391)**	(4,809,594)	**(4,378,421)**	(5,282,717)

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

	Contributed Equity $	Accumulated Losses $	Foreign Currency Reserve $	Share Based Payments Reserve $	**Total $**
Consolidated					
Balance at 1 July 2008	84,181,282	(114,205,057)	932,158	39,919	**(29,051,698)**
Profit	-	12,325,409	-	-	**12,325,409**
Shares issued	11,820,017	-	-	-	**11,820,017**
Currency translation differences	-	-	96,679	-	**96,679**
Other	-	-	(1)	-	**(1)**
Balance at 30 June 2009	**96,001,299**	**(101,879,648)**	1,028,836	39,919	**(4,809,594)**
Balance at 1 July 2009	96,001,299	(101,879,648)	1,028,836	39,919	**(4,809,594)**
Profit	-	431,203	-	-	**431,203**
Balance at 30 June 2010	**96,001,299**	**(101,448,445)**	1,028,836	39,919	**(4,378,391)**
Company					
Balance at 1 July 2008	84,181,282	(114,818,647)	-	39,919	**(30,597,446)**
Profit	-	13,494,712	-	-	**13,494,712**
Shares issued	11,820,017	-	-	-	**11,820,017**
Balance at 30 June 2009	**96,001,299**	**(101,323,935)**	-	39,919	**(5,282,717)**
			-		
Balance at 1 July 2009	96,001,299	(101,323,935)	-	39,919	**(5,282,717)**
Profit	-	904,296	-	-	**904,296**
Balance at 30 June 2010	**96,001,299**	**(100,419,639)**	-	39,919	**(4,378,421)**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	Notes	Consolidated 2010 $	Consolidated 2009 $	Parent entity 2010 $	Parent entity 2009 $
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**-**	11,765,390	**-**	**(63,868)**
Payments to suppliers and employees (inclusive of goods and services tax)		**(130,356)**	(13,258,247)	**(116,280)**	**(1,791,036)**
Interest received / (paid)		**20,640**	(37,915)	**20,640**	**-**
Other income/receipts received		**-**	41,796	**-**	**38,726**
Net cash outflow from operating activities	30	**(109,716)**	(1,488,976)	**(95,640)**	**(1,816,178)**
Cash flows from investing activities					
Payments for property, plant and equipment		**-**	(155,176)	**-**	**-**
Payments for R& D		**-**	(167,428)	**-**	**-**
Disposal of Intellect International NV		**-**	(366,191)	**-**	**-**
Net cash outflow from investing activities		**-**	(688,795)	**-**	**-**
Cash flows from financing activities					
Proceeds from borrowings		**21,571**	547,393	**21,571**	**1,850,400**
Net cash inflow from financing activities		**21,571**	547,393	**21,571**	**1,850,400**
Net (decrease) / increase in cash and cash equivalents		**(88,145)**	(1,630,378)	**(74,069)**	**34,222**
Cash and cash equivalents at the beginning of the financial year		**88,235**	1,659,780	**74,009**	**39,787**
Effects of exchange rate changes on cash and cash equivalents		**-**	58,833	**-**	**-**
Cash and cash equivalents at end of year	10	**90**	88,235	**60**	**74,009**
Financing arrangements	21				

The above cash flow statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Ellect Holdings Limited (the "Company" or "Parent Entity") is a company domiciled in Australia. The consolidated financial report for the year ended 30 June 2010 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity" or "Group").

The financial report includes separate financial statements for the Company as an individual entity and the Consolidated Entity consisting of Ellect Holdings Limited and its subsidiaries.

On 21st October 2011, the consolidated financial report was authorised for issue by the directors**.**

(a) Going concern

On 23 May 2008 the Board of Ellect Holdings Limited requested and obtained a voluntary suspension from trading on the ASX for the reason to re-structure and recapitalise.

On 6 June 2008 the Board of Ellect Holdings Limited resolved that Ellect Holdings Limited is likely to become insolvent at some future time and appointed Messrs Michael Ryan and Ian Francis as Joint and Several Administrators of Ellect Holdings Limited and Intellect Australia Pty Ltd pursuant to Section 436A of the Corporations Act 2001.

The first meetings of the creditors of Ellect Holdings Limited and Intellect Australia Pty Ltd were held concurrently on 18 June 2008. A committee of creditors was not appointed at that meeting to either Ellect Holdings Limited or Intellect Australia Pty Ltd.

In the year ended 30 June 2010 the Consolidated Entity recorded a net profit from continuing operations of $497,467 (2009 $7,385,418 profit) and a net operating cash outflow of $109,716 (2009 $1,488,976). At 30 June 2010, the Consolidated Entity had net liabilities of $4,378,391 (2009 $4,809,594) and net current liabilities of $221,926 (2009 $635,076).

Further details of the restructure of the Group are included in Note 29 to these financial statements.

This capital restructure should ensure that the ongoing Group is in a solvent position and that it will not be returned to some form of insolvency regime following the restructure; and is expected to satisfy the relevant regulatory authorities, including ASIC and the ASX.

The directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt about the Group's ability to continue as a going concern. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Group and the Company have adequate resources. For these reasons they continue to adopt the going concern basis in preparing the financial report.

(b) Basis of Preparation

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 Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

Historical Cost

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

1 Summary of significant accounting policies (continued)

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involve a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ellect Holdings Limited as at 30 June 2010 and the results of all subsidiaries for the year then ended. Ellect Holdings Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for in the individual financial statements of Ellect Holdings Limited at cost less any impairment.

(d) Segment reporting

Accounting Policy up to 30th June 2009

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

Change in Accounting Policy commencing 1st July 2009

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker (CODM). The CODM is responsible for allocation of resources to operating segments and assessing this performance.

(e) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Ellect Holdings Limited's functional and presentation currency.

1 Summary of significant accounting policies (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

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

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

(g) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to:

- temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements;
- unused tax losses; and
- under and over provisions in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business

1 Summary of significant accounting policies (continued)

combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.
Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Ellect Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002.

The head entity, Ellect Holdings Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Ellect Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in Note 8 (e).

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1 Summary of significant accounting policies (continued)

(j) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition for debtors, and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

(k) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. They include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw material. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position (Notes 11 and 13).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

1 Summary of significant accounting policies (continued)

Investment in Touch Holdings Limited (formerly TAFMO Limited)

During the year ended 30 June 2009 this investment was transferred to an entity owned by secured creditors.

Further details about this investment are reported in Note 14.

Recognition and de-recognition

Regular purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

1 Summary of significant accounting policies (continued)

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

The fair value of the liability portion of convertible notes issued is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders’ equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(q) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1 Summary of significant accounting policies (continued)

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(r) Employee Benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on AA credit-rated or national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations

All employees of the Group are entitled to benefits on retirement, disability or death from the Group’s superannuation plan. The Group has a defined contribution plan. The defined contribution plan receives fixed contributions from Group companies and the Group’s legal or constructive obligation is limited to these contributions. Contributions to the defined contribution plan are recognised as an expense as they become payable.

Share-based payments

Share based compensation benefits are provided to employees via the Employee Option Plan.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

1 Summary of significant accounting policies (continued)

(s) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(t) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(w) New accounting standards and UIG interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

(i) AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

(ii) AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

1 Summary of significant accounting policies (continued)

(iii) AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

2 Financial Risk Management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by a central accounting department and the Board of Directors.

(a) Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US dollar and Euro.

There are no forward contracts used to manage foreign exchange risk but instead the exchange risk is managed by designating sale and purchase transactions to the maximum extent possible in the same currency.

2 Financial Risk Management (continued)

Details of the financial assets / (financial liabilities) denominated in foreign currencies as at 30 June were as follows:

	Consolidated		Parent Entity	
	2010	2009	**2010**	2009
	$	$	**$**	$
Bank				
Euros	**-**	235	**-**	-
Australian Dollars	**90**	80,346	**60**	74,009
Great Britain Pounds	**-**	6,324	**-**	-
Hong Kong Dollars	**-**	1,330	**-**	-
	90	88,235	**60**	74,009
Trade & other receivables				
Australian Dollars	**-**	30,443	**-**	65,222
Great Britain Pounds	**-**	1,251	**-**	-
	-	31,694		65,222
Trade & other payables				
Australian Dollars	**(22,016)**	(53,066)	**(22,016)**	(600,009)
Great Britain Pounds	**-**	(2,787)	**-**	-
Hong Kong Dollars	**-**	(5,773)	**-**	-
	(22,016)	(61,626)	**(22,016)**	(600,009)
Net foreign exchange exposure				
Euros	**-**	235	**-**	-
Australian Dollars	**(21,926)**	57,723	**(21,926)**	(460,778)
Great Britain Pounds	**-**	4,788	**-**	-
Hong Kong Dollars	**-**	(4,443)	**-**	-
	(21,926)	58,303	**(21,926)**	(460,778)

Price risk

The Group is exposed to equity securities price risk that arises from investments held by the Group and classified on the statement of financial position as either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk.

2 Financial Risk Management (continued)

Fair value interest rate risk

Refer to 2(d) below.

(b) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the central accounting department and Board of Directors aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

(e) Sensitivity Analysis

	Consolidated		Parent Entity	
	2010	2009	**2010**	2009
	$	$	**$**	$
Change in Profit				
Improvement in AUD to Euro by 5%	**-**	(106,937)	**-**	-
Decline in AUD to Euro by 5%	**-**	106,937	**-**	-
Change in Equity				
Improvement in AUD to Euro by 5%	**-**	(106,937)	**-**	-
Decline in AUD to Euro by 5%	**-**	106,937	**-**	-

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Significant estimates and assumptions are discussed below.

Available for sale financial assets carried at cost

At each balance date the Company tests whether financial assets carried at cost have suffered any impairment, in accordance with the Company's accounting policies. The Company's investment in Touch Holdings Limited (formerly TAFMO Limited) was acquired in 2004 at a cost price of 50 cents per share or a total cost price of $8 million and the Company also took up its entitlement to 8 million shares in Touch Holding's rights issue in March 2007 at a cost price of 25 cents per share or a total cost price of $2 million. Since acquiring the initial shares Directors have monitored the progress of the Company to ascertain whether there is any indication of impairment in the investment or underlying business. Directors have considered a number of factors in this assessment including share and option issues made subsequent to the Company acquiring its initial stake, market announcements made by the Company, audited financial statements, performance of the Company against expectations and so on. Based on the assessment at 30 June 2008, in the opinion of Directors this investment was impaired during the year ended 30 June 2008 and its carrying value was written down by $3,500,000 to $6,500,000 (2007 $10,000,000). On or about 28 April 2009, this investment was transferred to an entity owned by secured creditors.

3 Critical accounting estimates and judgements (continued)

Assessment of outstanding legal case

At each balance date the Group assessed the status of an outstanding legal case to which it was a party. The Group has assessed the claims outstanding at the current time, and no provision (2009 $Nil) has been made in relation to the pending litigation.

4 Segment Information

(a) Description of segments

Description of segments

Australia

Australia is the home country of the Group and the operating entity Intellect Australia Pty Limited. The areas of operation in Australia are principally sales, distribution, service, assembly and research and development, as well as certain head office activities.

External customers and prospects included in the Australia/Asia region are mainly based in the following countries: Australia, New Zealand, China, Indonesia, Malaysia and Taiwan.

Europe

On 28 April 2009, Intellect International NV was sold to an entity owned by the Group’s secured creditors.

Until 28 April 2009, Belgium was the home country of the main operating entity Intellect International NV and the physical location of the Group’s head office. Intellect International NV carried out sales, distribution, service, assembly, manufacturing and research & development activities.

Other distribution operations were carried on from France (Intellect International NV).

External customers included in the Europe/Americas region were mainly based in the following countries:

Austria, The Netherlands, Germany, United Kingdom, France, Belgium, Brazil, Mexico and the United States.

The Group's reporting format is geographical segments. Reporting by business segment is not necessary, due to the nature of this operation.

Although managed globally, the Consolidated Entity is organised into two geographical segments: Australia and Europe. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (which is identified as the Chief Operating Decision Maker (CODM)) in assessing performance and in determining the allocation of resources.

4 Segment Information (continued)

(b) Primary reporting format – Geographical segments

	AUSTRALIA		EUROPE		ELIMINATION		CONSOLIDATED	
	2010 $	2009 $	**2010 $**	2009 $	**2010 $**	2009 $	**2010 $**	2009 $
Primary reporting – geographical segments								
Sales to external customers	**-**	75,309	**-**	8,566,158	**-**	-	**-**	8,641,467
Inter segmental sales	**-**	-	**-**	582,713	**-**	(582,713)	**-**	-
Total sales revenue	**-**	75,309	**-**	9148,871	**-**	(582,713)	**-**	8,641,467
Other income	**626,418**	15,700,544	**-**	272,751	**-**	-	**626,418**	15,973,295
Total segment revenue	**626,418**	15,775,853	**-**	9,421,622	**-**	(582,713)	**626,418**	24,614,762
Segment result	**431,203**	14,666,654	**-**	(2,341,245)	**-**	-	**431,203**	12,325,409
Profit / (Loss) from ordinary activities before income tax expense	**431,203**	14,666,654	**-**	(2,341,245)	**-**	-	**431,203**	12,325,409
Income tax expense	**-**	-	**-**	-	**-**	-	**-**	-
Net profit (loss)/	**431,203**	14,666,654	**-**	(2,341,245)	**-**	-	**431,203**	12,325,409
Segment assets	**90**	122,476	**-**	-	**-**	-	**90**	122,476
Tax assets							**-**	-
Unallocated assets							**-**	-
Total assets							**90**	122,476
Segment liabilities	**22,016**	228,673	**-**	-	**-**	-	**22,016**	228,673
Tax liabilities							**-**	-
Unallocated liabilities							**4356,465**	4,703,397
Total liabilities							**4,378,481**	4,932,070
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	**-**	-	**-**	156,512	**-**	-	**-**	156,512
Depreciation and amortisation expense	**-**	25,224	**-**	306,006	**-**	-	**-**	331,230
Other non-cash expenses	**-**	13,981	**-**	-	**-**	-	**-**	13,981

4 Segment Information (continued)

Since 28 April 2009, the costs of the holding company are included above under Australia, and are in respect of the business in Europe and costs incurred in respect of that business.

Other Disclosures

Segment accounting policies

Segment information is prepared in conformity with the accounting policies used as disclosed in Note 1 to these financial statements and accounting standard AASB 8 Operating Segments.

Segment revenues and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

5 Revenue

	Consolidated		Parent Entity	
	2010	2009	**2010**	2009
	$	$	**$**	$
From continuing operations				
Sales Revenue	**-**	-	**-**	-
Other revenue				
Interest Income	**20,640**	75,300	**20,640**	38,726
	20,640	75,300	**20,640**	38,726

6 Other Income

Liabilities forgiven	**586,542**	8,029,998	**1,114,557**	-
Other	**19,236**	41,670	**-**	-
	605,778	8,071,668	**1,114,357**	-

In connection with re-organisation of the Consolidated Entity, certain inter-company and third party debts have been released. Terms of the release include:

(a) Releasing debt by Ellect Holdings Limited (effective from the date of a creditor deed) in favour of the respective Group company, and the mutual release from all claims and liabilities in connection with the debt being released;
(b) Releasing debt by the respective Group company (effective from the date of a creditor deed) in favour of the Company, and the mutual release from all claims and liabilities in connection with the debt being released;
(c) Excepting a remaining loan totalling $200,000, all inter-company debts have been released; and
(d) The $200,000 remaining loan is not recoverable from the Ellect Holdings Limited with the present financing arrangements but in the event that any investment is made by third parties in Ellect Holdings Limited leaving remnant funds owing to the lender's related parties, then the $200,000 remaining loan will leave a mechanism to recoup these funds.

7 Expenses

	Consolidated		Parent Entity	
	2010 **$**	2009 $	**2010** **$**	2009 $
Profit before income tax includes the following specific expenses:				
Depreciation and Amortisation				
Plant and equipment	**-**	(39,206)	-	**-**
	-	(39,206)	-	**-**
Bad debts written off	**-**	(1,429,381)	**(77,573)**	(1,429,381)
Rental expense relating to operating leases				
Rental expense	**-**	(2,170)	**-**	**-**
Total rental expense relating to operating leases	**-**	(2,170)	**-**	**-**

8 Income Tax Benefit

		Consolidated 2010 $	2009 $	Parent entity 2010 $	2009 $
(a)	**Income tax benefit**				
	Current tax	-	-	-	-
	Deferred tax	-	-	-	-
	Over / (Under) provided in prior years	-	-	-	-
		-	-	-	-
	Income tax benefit is attributable to:	-	-	-	-
	Profit from continuing operations	-	-	-	-
	Profit from discontinued operations	-	-	-	-
	Aggregate income tax benefit	-	-	-	-
	Deferred income tax (revenue) expense included in income tax expense comprises:				
	Decrease (increase) in deferred tax assets	-	-	-	-
	(Decrease) increase in deferred tax liabilities	-	-	-	-
		-	-	-	-
(b)	**Numerical reconciliation of income tax benefit to prima facie tax receivable**				
	Profit before income tax benefit	431,203	12,325,409	904,296	13,494,712
	Tax at the Australian tax rate of 30% (2009 - 30%)	(129,361)	(3,697,623)	(271,289)	(4,048,414)
	Deferred income tax liability not brought to account	129,361	3,697,623	271,289	4,048,414
	Income tax expense	-	-	-	-
(c)	**Amounts recognised directly in equity**	-	-	-	-
(d)	**Tax losses**				
	Unused tax losses for which no deferred tax asset has been recognised	-	31,375,591	-	14,496,288
	Potential tax benefit @ 30%	-	9,412,677	-	4,348,886

All unused tax losses were incurred by Australian entities.

8 Income Tax Benefit (continued)

A deferred tax asset has not been recognised in respect of tax losses since the criteria for recognition under AASB 112 have not been met. The benefits will only be obtained if:

(i) the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and

(ii) the Consolidated Entity continued to comply with the conditions for deductibility imposed by tax legislation, and

(iii) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the losses.

	Consolidated		**Parent entity**	
	2010	2009	**2010**	2009
	$	$	**$**	$
Unrecognised temporary differences				
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised				
Foreign currency translation	**-**	1,028,837	**-**	-
	-	1,028,837	**-**	-
Unrecognised deferred tax liabilities relating to the above temporary differences	**-**	308,651	**-**	-

A deferred tax liability has not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the Consolidated Entity's overseas subsidiaries. Details of these subsidiaries are outlined in Note 28. The deferred tax liability will only arise in the event of disposal of the subsidiaries, and no such disposals are expected in the foreseeable future.

(e) Tax consolidation legislation

Ellect Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002. The accounting policy in relation to this legislation is set out in Note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Ellect Holdings Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Ellect Holdings Limited for any current tax payable assumed and are compensated by Ellect Holdings Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ellect Holdings Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

Ellect Holdings Limited has not recognised any tax consolidation distributions from a wholly-owned tax consolidated entity.

9 Discontinued Operations

Disposal of Investments

On 28 April 2009, as provided for by the Ellect Holdings Limited deed of company arrangement, the assets of Ellect Holdings Limited, including Ellect Holdings Limited's shareholdings in Touch Holdings Limited (formerly TAFMO Limited) and Intellect International NV, were sold to an entity to be owned by the secured creditors. Refer to Note 29 for more details.

The carrying amount of these assets and liabilities sold were:

	Notes	Consolidated 2010 $	Parent entity 2010 $	Consolidated 2009 $	Parent entity 2009 $
Current assets					
Cash and cash equivalents		-	-	366,191	-
Trade debtors		-	-	1,379,515	-
Inventories		-	-	3,299,086	-
Other		-	-	1,593,525	-
		-	-	6,638,317	-
Non-current assets					
Available for sale financial assets	14	-	-	6,500,000	6,500,000
Property, plant and equipment	15	-	-	301,453	-
		-	-	6,801,453	6,500,000
Total assets		-	-	13,439,770	6,500,000
Current liabilities					
Trade and other payables		-	-	4,906,662	1,820,018
Financial liabilities		-	-	23,499,901	23,499,901
Provisions		-	-	5,372,472	4,856,465
Other		-	-	2,446,720	-
		-	-	36,225,755	30,176,384
Non-current liabilities					
Financial liabilities		-	-	7,195,000	7,195,000
Total liabilities		-	-	43,420,755	37,371,384
Net liabilities		**-**	**-**	**29,980,985**	**30,871,384**
Details of consideration received / (paid) are as follows:					
Foreign currency loss		(66,264)	(66,264)	-	-
Carrying amount of net liabilities		-	-	29,980,985	30,871,384
Issue of secured convertible notes	21	-	-	(4,156,465)	(4,156,465)
		(66,264)	(66,264)	25,824,520	26,714,919
Issue of shares					
Secured creditors	22	-	-	(10,000,000)	(10,000,000)
Unsecured creditors	22	-	-	(1,820,018)	(1,820,018)
		-	-	(11,820,018)	(11,820,018)
(Loss) / Profit before income tax		(66,264)	(66,264)	14,004,502	14,894,901
Income tax benefit / (expense)		-	-	-	-
(Loss) / Profit after income tax		**(66,264)**	**(66,264)**	**14,004,502**	**14,894,901**

9 Discontinued Operations (continued)

Results of Discontinued Operations

	Consolidated 2009 $
Revenue from discontinuing operations	8,563,096
Other income	1,040,112
Changes in inventories of finished goods and work in progress	(1,072,392)
Raw materials and consumables used	(4,116,857)
Employee benefits expense	(4,815,547)
Depreciation and amortisation expense	(138,578)
Finance costs	(37,915)
Research and Development cost	(167,428)
Consultancy fees	(218,139)
Occupancy costs	(522,620)
Travel costs	(129,102)
Other expenses	(808,623)
Receivables written off	(6,640,518)
Loss before income tax	(9,064,511)
Income tax benefit / (expense)	**-**
Loss after income tax	**(9,064,511)**

The net cash flows of the discontinuing operation which have been incorporated into the statement of cash flows are as follows:

Net cash inflow/(outflow) from operating activities	(2,004,748)
Net cash inflow/(outflow) from investing activities	-
Net cash inflow/(outflow) from financing activities	-
Net decrease in cash generated by the discontinuing operation	(2,004,748)

10 Current Assets – Cash and Cash Equivalents

	Consolidated		Parent entity	
	2010 $	2009 $	**2010 $**	2009 $
Cash at bank and in hand	**90**	88,235	**60**	74,009
	90	88,235	**60**	74,009

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	**90**	88,235	**60**	74,009
Balances per statement of cash flows	**90**	88,235	**60**	74,009

(b) Cash at bank and on hand

The deposits are bearing floating interest rate of 0.1% (2009- 0.4%).

11 Current Assets – Trade and Other Receivables

	Consolidated		Parent entity	
	2010	2009	**2010**	2009
	$	$	**$**	$
Trade receivables	**174,642**	158,318	**-**	-
Receivable from Intellect International NV	**-**	1,389,480	**-**	1,389,480
Receivables from controlled entities	**-**	-	**-**	27,883,186
Provision for impairment of receivables	**(174,642)**	(1,547,798)	**-**	(29,272,666)
Other receivables	**-**	31,694	**-**	65,222
	-	31,694	**-**	65,222
Provision for impairment of receivables				
At beginning of year	**(1,547,798)**	(5,757,882)	**(29,272,666)**	(27,843,285)
Disposal of subsidiary	**-**	5,957,399	**-**	-
Impairment (charge) / credit for the year	**5,452**	(1,720,098)	**(15,896)**	(1,429,381)
Receivables forgiven	**1,367,704**	-	**29,288,562**	-
Foreign exchange movement	**-**	(27,217)	**-**	-
At end of year	**(174,642)**	(1,547,798)	**-**	(29,272,666)

Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

12 Current Assets – Inventories

Inventory expense

Inventories were written down following the assessment of the net realisable value. During the financial year ended 30 June 2009 an amount of $338,117 was reversed and disclosed in the income statement under “Loss from discontinued operations”.

13 Non Current Assets – Receivables

	Consolidated		Parent Entity	
	2010	2009	**2010**	2009
	$	**$**	**$**	$
Other receivables	**-**	2,547	**-**	-
	-	2,547	**-**	-

(a) Fair values

The fair values and carrying values of non-current receivables of the Group are as follows:

	2010		2009	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Other receivables	**-**	**-**	-	2,547
	-	**-**	-	2,547

(b) Interest Rate Risk

The Group holds no non-current receivables subject to fixed or floating interest rates.

14 Non Current Assets - Investments

	Consolidated 2010 $	Consolidated 2009 $	Parent entity 2010 $	Parent entity 2009 $
Shares in controlled entities	**-**	-	**9,016,179**	9,016,179
	-	-	**9,016,179**	9,016,179
Impairment provisions	**-**	-	**(9,016,179)**	(9,016,179)
Total Non Current Assets	**-**	-	**-**	-

Movements	Consolidated 2010 $	Consolidated 2009 $	Parent entity 2010 $	Parent entity 2009 $
At beginning of year	**-**	6,500,000	**-**	6,500,000
Disposal of Available for Sale Financial Asset	**-**	(10,000,000)	**-**	(10,000,000)
Disposal of shares in controlled entity	**-**	-	**-**	(75,184,435)
Reversal of impairment provisions	**-**	3,500,000	**-**	78,684,435
At end of year	**-**	-	**-**	-

Unlisted Securities

The Board of Directors of Ellect Holdings Limited concluded that the fair value of Touch Holdings Limited (formerly TAFMO Limited) was $6,500,000 at 30 June 2008. At 30 June 2007, the investment in Touch Holdings Limited was carried at cost of $10 million (16,000,000 shares at the initial issue price of $0.50 per share, on recognition of the investment at 1 July 2004 and a further 8,000,000 at an issue price of $0.25 per share in March 2007), and was reviewed for impairment at 30 June 2008 in accordance with Notes 1(h) and 3. Based on the assessment at 30 June 2008, in the opinion of Directors this investment was impaired during the year ended 30 June 2008 and its carrying value was written down by $3,500,000 to $6,500,000 (2007 $10,000,000). On the 28 April 2009, this investment and a controlled entity were sold as part of the DOCA.

15 Non Current Assets – Property, Plant and Equipment

Consolidated	Plant & equipment $	Furniture & fittings, motor vehicles $	Leasehold improvements $	Total $
Year ended 30 June 2009				
Opening written down value	282,748	5,273	7,620	295,641
Exchange differences	13,102	-	-	13,102
Additions	156,512	-	-	156,512
Disposal of subsidiary	(301,453)	-	-	(301,453)
Depreciation charge	(150,909)	(5,273)	(7,620)	(163,802)
Closing written down value	-	-	-	-
At 30 June 2009				
Cost	3,559,955	189,394	7,620	3,756,969
Accumulated depreciation	(3,258,502)	(189,394)	(7,620)	(3,455,516)
Disposal of subsidiary	(301,453)	-	-	(301,453)
Written down value	-	-	-	-

Parent entity

The parent entity had no fixed assets for the years ended 30 June 2009 and 30 June 2010.

16 Current Liabilities – Trade and Other Payables

	Consolidated		Parent entity	
	2010	2009	**2010**	2009
	$	$	**$**	$
Trade payables	**22,016**	61,626	**22,016**	72,019
Payable to controlled entity	**-**	-	**-**	527,990
Other payables	**-**	-	**-**	-
	22,016	61,626	**22,016**	600,009

17 Current Liabilities – Financial Liabilities

Unsecured

Loans	**200,000**	547,393	**200,000**	**525,443**
	200,000	547,393	**200,000**	**525,443**

(a) Loans

At 30 June 2010 a loan facility of $ 200,000 (2009 $547,393) was in place and repayable at a call (2009 repayable 30 September 2009). The facility was used for an amount of $568,964 (2009 $547,393) and bears interest at Nil% per annum (2009 Nil% per annum).

(b) Interest Rate Risk Exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in Note 21.

(c) Fair Value Disclosures

Details of the fair value of borrowings for the Group are set out in Note 21.

18 Current Liabilities – Provisions

	Consolidated 2010 $	Consolidated 2009 $	Parent entity 2010 $	Parent entity 2009 $
Employee benefits	**-**	237	**-**	-
	-	237	**-**	-

Movements in provisions

	Employee benefits $	Accrued loan and convertible note interest $	Accrued Loan Fees $	Other Provisions $	Total $
Consolidated					
Year ended 30 June 2009					
Carrying amount at start of year	336,876	4,265,098	843,488	71,169	5,516,631
Net employee entitlement payments					
Charge / (credit) for the year	(336,639)	(4,265,098)	(843,488)	(71,169)	(5,516,394)
Carrying amount at end of year	237	-	-	-	237
Year ended 30 June 2010					
Carrying amount at start of year	**237**	**-**	**-**	**-**	**237**
Charge / (credit) for the year	**(237)**	**-**	**-**	**-**	**(237-**
Carrying amount at end of year	**-**	**-**	**-**	**-**	**-**
Parent					
Year ended 30 June 2009					
Carrying amount at start of year	-	4,265,098	843,488	-	5,108,586
Charge / (credit) for the year	-	(4,265,098)	(843,488)	-	(5,108,586)
Carrying amount at end of year	-	-	-	-	-
Year ended 30 June 2010					
Carrying amount at start of year	**-**	**-**	**-**	**-**	**-**
Credit for the year	**-**	**-**	**-**	**-**	**-**
Carrying amount at end of year	**-**	**-**	**-**	**-**	**-**

19 Current Liabilities – Other Liabilities

	Consolidated 2010 $	Consolidated 2009 $	Parent entity 2010 $	Parent entity 2009 $
Other	**-**	145,749	**-**	119,431
	-	145,749	**-**	119,431

20 Non Current Liabilities – Deferred Tax Liabilities

	Consolidated 2010 $	Consolidated 2009 $	Parent entity 2010 $	Parent entity 2009 $
Opening balance at 1July	**20,600**	58,600	**20,600**	58,600
Credited to the income statement	**(20,600)**	(38,000)	**(20,600)**	(38,000)
Closing balance at 30 June	**-**	20,600	**-**	20,600
Deferred tax liabilities to be settled after 12 months	**-**	20,600	**-**	20,600
Deferred tax liabilities to be settled within 12 months	**-**	-	**-**	-
	-	20,600	**-**	20,600

21 Non Current Liabilities – Financial Liabilities

	Consolidated 2010 $	Consolidated 2009 $	Parent entity 2010 $	Parent entity 2009 $
Secured convertible notes issued 5 May 2009 – face value	**4,156,465**	4,156,465	**4,156,465**	4,156,465
	4,156,465	4,156,465	**4,156,465**	4,156,465

(a) Convertible Notes

On 5 May 2009, 41,569 secured redeemable convertible notes were issued in accordance with the approved Deed of Company Arrangement for Ellect Holdings Limited. Refer to Note 29 for more details.

A summary of terms for these notes is:

1) Face value $100.00;
2) Interest free;
3) Maturity date is two years after the date of issue (initially maturing 5 May 2011 and extended to 5 May 2013); and
4) May be converted into Shares at the lower of $2.00 or the market price of the Shares from time to time, being the issue price of any new Shares issued during the term of the Notes or the average weighted price of the Shares in the five day period immediately preceding conversion.

(b) Interest Rate Exposure

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Exposures arise predominantly from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

21 Non Current Liabilities – Financial Liabilities (continued)

	Non-interest bearing $	Floating interest rate $	Fixed interest rate 1 year or less $	Fixed interest rate Over 1 to 5 years $	Total $
2010					
Convertible notes	4,156,465	-	-	-	4,156,465
Other loans	200,000	-	-	-	200,000
	4,356,465	-	-	-	4,356,465
Weighted average interest rate		-	-		
2009					
Convertible notes	4,156,465	-	-	-	4,156,465
Other loans	547,393	-	-	-	547,393
	4,703,858	-	-	-	4,703,858
Weighted average interest rate		-	-		

(c) Fair Value

The carrying amounts and fair values of borrowings at reporting date were:

	2010 Carrying amount $	**2010 Fair value $**	2009 Carrying amount $	2009 Fair value $
Non-traded financial liabilities				
Convertible Notes	**4,156,465**	**4,156,465**	4,156,465	4,156,465
Other loans	**200,000**	**200,000**	547,393	547,393
	4,356,465	**4,356,465**	4,703,858	4,703,858

None of the classes of borrowings are readily traded on organised markets in standardised form.

The fair value of borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

21 Non Current Liabilities – Borrowings (continued)

(d) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated 2010 $	2009 $	Parent entity 2010 $	2009 $
Loan facilities				
Total facilities	**200,000**	547,393	**200,000**	525,443
Used at balance date	**(200,000)**	(547,393)	**(200,000)**	(525,443)
Unused at balance date	**-**	-	**-**	-

For the year ended 30 June 2010, interest rates were Nil% (2009 Nil%)

22 Contributed Equity

	Notes	Parent entity 2010 Number of Shares	2009 Number of Shares	Parent entity 2010 $	2009 $
(a) Share capital					
Ordinary fully paid shares	(c),(d)	**6,186,070**	6,186,070	**95,569,300**	95,569,300
		6,186,070	6,186,070	**95,569,300**	95,569,300
(b) Other equity securities					
Value of conversion rights - convertible notes (net of tax)	(e)			**392,084**	392,084
Value of conversion rights – loans (net of tax)				**39,914**	39,914
Other				**1**	1
Total contributed equity				**96,001,299**	96,001,299

(c) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue price per Share	$
1 July 2007	Balance		57,829,872		**83,749,283**
30 June 2008	Balance		57,829,872		**83,749,283**
1 July 2008	Balance		57,829,872		**83,749,283**
28 April 2009	Ordinary fully paid shares issued to secured creditors		500,000,000	2 cents	**10,000,000**
28 April 2009	Ordinary fully paid shares issued to unsecured creditors		60,667,245	3 cents	**1,820,017**
			618,497,117		**95,569,300**
5 May 2009	1 for 100 ordinary fully paid shares consolidated		(612,311,047)		**-**
30 June 2009	**Balance**		**6,186,070**		**95,569,300**
30 June 2010	**Balance**		**6,186,070**		**95,569,300**

22 Contributed Equity (continued)

(d) Ordinary Fully Paid Shares

Ordinary fully paid shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(e) Other Equity Securities

The amount shown for other equity securities is the value of the conversion rights relating to the convertible notes, which were issued pre financial year ended 30th June 2009.

(f) Capital Management

The Group's objectives when managing capital and reserves are to safeguard the Group's ability to continue as a going concern, so as to maintain a capital base sufficient to maintain its existing business. In order to maintain or adjust the capital and reserve structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through debt to maintain its business. The Group monitors capital on the basis of the gearing ratio.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements

23 Reserves and Accumulated Losses

	Consolidated		Parent entity	
	2010	2009	**2010**	2009
	$	$	**$**	$
Reserves				
Foreign currency translation reserve	**1,028,836**	1,028,836	**-**	-
Share based payments reserve	**39,919**	39,919	**39,919**	39,919
	1,068,755	1,068,755	**39,919**	39,919
Movements:				
Foreign currency translation reserve				
Balance 1 July	**1,028,836**	932,158	**-**	-
Currency translation differences arising during the year	**-**	96,679	**-**	-
Other	**-**	(1)	**-**	-
Balance 30 June	**1,028,836**	1,028,836	**-**	-
Share based payments reserve				
Balance 1 July	**39,919**	39,919	**39,919**	39,919
Balance 30 June	**39,919**	39,919	**39,919**	39,919
Accumulated Losses				
Balance 1 July	**(101,879,648)**	(114,205,057)	**(101,323,935)**	(114,818,647)
Net profit for the year	**431,203**	12,325,409	**904,296**	13,494,712
Balance 30 June	**(101,448,445)**	(101,879,648)	**(100,419,639)**	(101,323,935)

23 Reserves and Accumulated Losses (continued)

Nature and purpose of reserves

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in Note 1(e). The reserve is recognised in profit and loss when the net investment is disposed of.

Share based payments reserve

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

24 Key Management Personnel Disclosures

(a) Directors

The following persons were directors of Ellect Holdings Limited during the financial year:

Mr WJ McLeland	Non Executive Chairman Appointed 21 April 2005
Dr AC Sullivan	Non Executive Director Appointed 9 August 2007

(b) Other key management personnel

There were no other key management persons with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2010	2009	**2010**	2009
	$	$	**$**	$
Short-term employee benefits	**-**	-	**-**	-
Post-employment benefits	**-**	-	**-**	-
Share-based payments	**-**	-	**-**	-
Termination benefits	**-**	-	**-**	-
	-	-	**-**	-

The Company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A-C of the remuneration report on pages 8 to 11.

(d) Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in Note 32.

24 Key Management Personnel Disclosures (continued)

Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Ellect Holdings Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Director's Name	Balance of options at the start of the year or date of appointment, as applicable	Changes during the year 1:100 Consolidation	Balance of options at the end of the year or date of resignation, as applicable	Vested and exercisable at the end of the year or date of resignation, as applicable
2010				
Mr WJ McLeland	20,400	-	20,400	20,400[2]
2009				
Mr WJ McLeland	2,040,000	(2,019,600)	20,400	20,400

Share holdings

The numbers of shares in the Company held during the financial year by each director of Ellect Holdings Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Director's Name	Balance of shares at the start of the year or date of appointment, as applicable	Changes during the year		Balance of shares at the end of the year or date of resignation, as applicable
		Share Issue	1:100 Consolidation	
2010				
Mr WJ McLeland	3,220,889	-	-	3,220,889[3]
2009				
Mr WJ McLeland	150,000	321,938,802	(318,867,913)	3,220,889

[2] Mr McLeland, is a director of:
1) Eclectic Investments Trust plc which directly held 8,000 post-consolidation options each to acquire one ordinary fully paid Share for an exercise price of $80.00 expired 5 January 2010; and
2) Utilico Limited which directly held 12,400 post-consolidation options each to acquire one ordinary fully paid Share for an exercise price of $80.00 expired 5 January 2010.

[3] In addition to 1,500 post-consolidation shares (2009 1,500 shares) held indirectly by Mr McLeland, he is also a director of Utilico Limited which directly held 2,822,292 post-consolidation shares (2009: 2,822,292 shares) and Eclectic Investment Trust plc which directly held 397,097 post-consolidation shares (2009: 397,097 shares) .

25 Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent entity	
	2010	2009	**2010**	2009
	$	$	**$**	$
UHY Haines Norton Australian firm				
Audit services				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**10,000**	55,000	**10,000**	55,000
Fees for overseas locations	**-**	15,000	**-**	-
Total remuneration for audit services	**10,000**	70,000	**10,000**	55,000
No non audit services were provided in the current year				
Tax compliance services	**-**	-	**-**	-
	10,000	70,000	**10,000**	55,000

26 Commitments

Lease commitments

Operating leases

The Group had no operating leases during the years ended 30th June 2010 and 30th June 2009.

Finance leases

The Group had no finance leases during the years ended 30th June 2010 and 30th June 2009.

27 Related Party Transactions

(a) Parent entities

The ultimate Australian parent entity is Ellect Holdings Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 28.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 24.

(d) Loans to Related Parties

	Parent entity	
	2010	2009
	$	$
Loans to subsidiaries		
Beginning of the year	**27,883,186**	27,843,285
Loans advanced	**37,672**	39,901
Loans forgiven	**(27,920,858)**	-
End of year	**-**	27,883,186

27 Related Party Transactions (continued)

No increase in the provision for doubtful debts (2009 $39,901) has been raised in relation to inter-company loan balances during the year. The provision for doubtful debts as at 30 June 2010 in relation to inter-company loan balances was $Nil (2009 $27,883,186). The corresponding expense in respect of bad or doubtful debts has been included in ‘Other charges against assets’ within the income statement.

(e) Transactions with Related Parties

Eclectic Investments Trust plc

Eclectic Investments Trust plc is an associated company to Mr Warren McLeland, Chairman of Ellect Holdings Limited. Mr McLeland has been a director of Eclectic Investments Trust plc (previously Stocks Convertible Trust plc) during the years ended 30 June 2010 and 30 June 2009.

At 30 June 2010, Eclectic Investments Trust plc held:

(i) 397,097 post-consolidation ordinary fully paid shares (2009: 397,097 shares); and
(ii) 3,302 secured post-consolidation convertible notes with a face value of $100.00 each (2009 3,302 notes).

At 30 June 2009, Eclectic Investments Trust plc also held 8,000 post-consolidation options to subscribe for ordinary fully paid shares by 5 January 2010 at an exercise price of $80.00 each.

Utilico Limited

Mr McLeland, Chairman of Ellect Holdings Limited, was a director of Utilico Limited (**Utilico**) during the years ended 30 June 2010and 30 June 2009.

Utilico held at 30 June 2010:

(i) 2,822,292 post-consolidation ordinary fully paid shares (2009: 2,822,292 shares);
(ii) 23,462 secured post-consolidation convertible notes with a face value of $100.00 each (2009: 23,462 notes). Refer to Note 21; and
(iii) 12,400 post-consolidation options to subscribe for ordinary fully paid shares by 5 January 2010 at an exercise price of 80 cents each (2009: 12,400 options).

During the year ended 30 June 2010, no interest or fees were paid to Utilico for notes (2009 $Nil).

28 Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(c):

Name of entity	Country of incorporation	Class of shares	Equity holding 2010 %	2009 %
Ellect Holdings Limited	Australia			
Controlled by Ellect Holdings Limited				
Intellect Australia Pty Ltd.	Australia	Ord	100%	100%
Intellect Overseas Pty Ltd	Australia	Ord	100%	100%
Techway Pty Ltd.	Australia	Ord	100%	100%
Intellect Asia Limited	Hong Kong	Ord	100%	100%
Controlled by Intellect Overseas Limited			-	-
Intellect Inc.	United States of America	Ord	100%	100%
Intellect Europe Limited	United Kingdom	Ord	-	100%
Controlled by Intellect Australia Pty Ltd.				
E.C.I. European Community Intellect BV	Netherlands	Ord	100%	100%

Disposal of controlled entities

On 28 April 2009, the parent entity disposed at its 99% interest in Intellect International NV. An operating profit totalling $2,423,993 was attributable to the members of the parent entity from the disposal. No remaining interest in the entity was held by any member of the consolidated entity.

On 1 October 2009, Intellect Europe Limited was liquidated.

29 Administration

A Deed of Company Arrangement Proposal (**DOCA**) was proposed and agreed by members and creditors. The key terms of the DOCA are:

(i) The assets of Ellect Holdings Limited, including Ellect Holdings Limited's shareholdings in Touch Holdings Limited (formerly TAFMO Limited) and Intellect International NV, are to be sold to an entity to be owned by the secured creditors (**New Co**) for a total consideration of $22 million.

(ii) The intellectual property held by Intellect Australia Pty Ltd is to be acquired by New Co.

(iii) New Co will pay consideration for Ellect Holdings Limited's assets and Intellect Australia Pty Ltd's intellectual property as follows:

a. by assuming a $2 million liability in respect of 8 million Touch Holdings Limited (formerly TAFMO Limited) shares;

b. by payment in cash of $1.8 million;

(iv) by offsetting the balance of the consideration of $18.2 million against part of the debt outstanding to the current secured creditors.

(v) The cash consideration is to be applied by way of part satisfaction of the secured loan. $300,000 shall be applied towards the cost of the administration. $1,500,000 shall be distributed to the secured creditors.

(vi) Approximately $4.16 million of the existing secured creditors debt will convert to be (interest free) secured convertible notes in Ellect Holdings Limited.

(vii) The secured creditors are to be issued 500,000,000 shares in Ellect Holdings Limited in settlement of the remaining debt (approximately $10 million).

(viii) Related party creditors will not participate/prove in the DOCA.

(ix) Non related unsecured creditors of both Ellect Holdings Limited and Intellect Australia Pty Ltd are to be issued shares in Ellect Holdings Limited. They participate equally based on the proposed ratio of 30 shares for every dollar of proven debt/admitted claim.

(x) The maximum number of shares to be issued to all admitted unsecured creditors of Intellect Australia Pty Ltd shall be limited to 20,682,360.

(xi) The maximum number of shares available to be issued to all admitted unsecured creditors of Ellect Holdings Limited shall be limited to 64,317,640.

(xii) Existing Intellect Australia Pty Ltd employee accrued entitlements shall be paid in the ordinary course by way of New Co assuming the obligation for their entitlements.

(xiii) The Administrators will be the Deed Administrators.

(xiv) The Directors will resume control of Ellect Holdings Limited and Intellect Australia Pty Ltd during the Deed Administration period.

(xv) The implementation of the proposal is conditional on a number of conditions precedent including necessary regulatory and shareholder approvals.

(xvi) Subject to an extension authorised by the Administrator, if all conditions precedent of the DOCA are not met by 28 February 2009 it will terminate and Ellect Holdings Limited and Intellect Australia Pty Ltd will proceed into liquidation.

Following two separate applications to the Supreme Court of Western Australia, the convening period for the holding of the second meeting of creditors was extended initially to 26 August 2008 and subsequently to 10 October 2008.

The second concurrent meetings of creditors of Ellect Holdings Limited and Intellect Australia Pty Ltd were held on 16 October 2008.

29 Administration (continued)

The purpose of the second meeting was for creditors to decide on Ellect Holdings Limited and Intellect Australia Pty Ltd's individual future and, in particular, whether:

(i) Ellect Holdings Limited and Intellect Australia Pty Ltd would be required to execute a DOCA; or
(ii) Whether the administrations should end; or
(iii) Whether Ellect Holdings Limited and Intellect Australia Pty Ltd should be wound up.

At the second meetings, creditors approved Ellect Holdings Limited and Intellect Australia Pty Ltd executing the DOCAs.

The appointment of the Administrators ended on 5 November 2008, although the Administrators were still required to administer the Deed of Company Arrangement and were appointed DOCA administrator, also effective 5 November 2008.

An extraordinary general meeting of Ellect Holdings Limited's members was held on 15 January 2009 (**Meeting**).

The purpose of the Meeting was to consider resolutions enabling Ellect Holdings Limited to:

(i) issue up to 585,000,000 ordinary fully paid shares to creditors;
(ii) issue up to 4,156,465 notes to secured creditors;
(iii) dispose of its main undertaking to 'New Co', a company to be owned by secured creditors on implementation of the Proposal (refer clause 11 below);
(iv) consolidate its ordinary fully paid shares, whereby every 100 ordinary fully paid shares would be consolidated into 1 ordinary fully paid share; and
(v) change its name to from Intellect Holdings Limited to Ellect Holdings Limited.

The DOCA contained the proposal comprising Ellect Holdings Limited:

(i) transferring its and Intellect Australia Pty Ltd's key assets to 'New Co', a company to be owned by the secured creditors on implementation of the proposal;
(ii) continuing as a company listed on the ASX, without its key assets;
(iii) issuing ordinary fully paid shares to creditors which will result in them acquiring approximately 91% of the Ellect Holdings Limited's ordinary fully paid shares, with existing shareholders' interests in Ellect Holdings Limited diluted to approximately 9% of Ellect Holdings Limited's ordinary fully paid shares;
(iv) issuing approximately 4.16 million notes to secured creditors which, if fully converted, would dilute existing shareholders interests in Ellect Holdings Limited to approximately 7% of Ellect Holdings Limited's ordinary fully paid shares; and
(v) obtaining a release of pre-administration debt, except as provided in the DOCA.

The implication for Ellect Holdings Limited shareholders, if the Proposal is implemented, was that the key assets of Ellect Holdings Limited will be transferred to an entity to be owned by secured creditors and existing shareholders' interests in the then asset-less Ellect Holdings Limited will be substantially diluted.

On 30 January 2009, ASIC changed the name from Intellect Holdings Limited to Ellect Holdings Limited.

During the period from 15 January 2009 to 28 April 2009:

(i) Key Ellect Holdings Limited assets were transferred to New Co; and
(ii) De-registration of a lien held by a former employee (Mr Thomas Ream) over shares held by Ellect Holdings Limited in Intellect International NV (a wholly owned subsidiary) was approved by a Belgian Court.

On 28 April 2009, the Administrators made application for the issue to creditors of 560,667,245 pre-consolidation ordinary fully paid shares and 4,156,165 pre-consolidation notes. These ordinary fully paid shares and notes were allotted and issued to creditors on 28 April 2009 and 5 May 2009 respectively.

On 5 May 2009, Ellect Holdings Limited's ordinary fully paid shares and notes were consolidated into 1 for every 100. Post-consolidation ordinary fully paid shares total 6,186,070. Post-consolidation notes total 41,569.

Ellect Holdings Limited remains suspended by the ASX.

The DOCA was finalised by 17 August 2010, when the Administrators resigned as DOCA Administrators.

29 Administration (continued)

As noted above, the return to both Ellect Holdings Limited and Intellect Australia Pty Ltd creditors under the DOCA proposal includes shares in Ellect Holdings Limited, which will effectively be an asset-less listed “shell”. Based on recent market transactions, the Administrator’s sale campaign and the alternative indicative DOCA proposals received by the Administrator, the shell of a listed public company may be valued between $500,000 and $1 million. However, recent regulatory developments and market changes may have caused a decrease in the market value of such a shell. In addition to the share allocation, the Ellect Holdings Limited secured creditors receive assets and some cash as detailed above.

30 Reconciliation of profit after income tax to net cash outflow from operating activities

	Note	**Consolidated**		**Parent entity**	
		2010	2009	**2010**	2009
		$	$	**$**	$
Profit attributable to members of Ellect Holdings Limited		**431,203**	12,325,409	**904,296**	13,494,712
Net gain on disposal of investment	**9**	**-**	(14,004,502)	**-**	(14,894,901)
Depreciation, amortisation and R&D costs		**-**	331,230	**-**	-
Net exchange differences		**-**	23,088	**-**	-
Decrease in trade debtors and other debtors		**-**	791,724	**65,222**	-
Increase in doubtful debts		**34,240**	-	**-**	-
Decrease in inventories		**-**	331,523	**-**	-
Increase in other assets		**-**	(512,394)	**-**	-
Decrease in trade creditors and employee entitlements		**(554,559)**	(735,015)	**(1,044,558)**	(623,787)
Decrease in other liabilities		**-**	(2,039)	**-**	245,797
Decrease in deferred and non-deferred tax liabilities		**(20,600)**	(38,000)	**(20,600)**	(38,000)
Net cash outflow from operating activities		**(109,716)**	(1,488,976)	**(95,640)**	(1,816,179)

31 Profit per Share

	Consolidated 2010 $	2009 $
(a) Basic profit per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	**0.08**	4.78
Profit attributable to the ordinary equity holders of the Company	**0.07**	7.97
(b) Diluted profit per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	**0.08**	4.78
Profit attributable to the ordinary equity holders of the Company	**0.07**	7.97

(c) Weighted average number of shares used as the denominator

	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic profit per share	**6,186,070**	1,546,195
Adjustments for calculation of diluted profit per share:	**-**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted profit per share	**6,186,070**	1,546,195

Options

Options granted to employees under the Employee Share Option Plan are considered to be potential ordinary shares and have been considered in the determination of diluted profit per share. The options have not been included in the determination of basic profit per share. Options on issue are not included in the calculation of diluted profit per share because they are anti-dilutive for the year ended 30 June 2010. These options could potentially dilute earnings or losses per share in the future.

Convertible Loan Notes

Convertible loan notes are considered to be potential ordinary shares and have been considered in the determination of diluted profit per share. The convertible loan notes have not been included in the determination of basic profit per share and are not included in the calculation of diluted profit per share because they are anti-dilutive for the year ended 30 June 2010. These convertible loan notes could potentially dilute earnings per share in the future.

32 Share based payments

Employee Option Plan

Under the terms of the Employee Share Option Plan (ESOP) approved by shareholders at the November 2000 Annual General Meeting, the Board may offer options, at no cost, to full-time or part time employees and consultants of the Company. The Board may determine the eligibility of persons and their entitlement having regard to each person's contribution and potential contribution to the Company and any other relevant matters.

Both Executive and Non-Executive Directors are also entitled to participate under the ESOP. However, any grant of options to Directors will require shareholder approval under ASX Listing Rules.

All options granted under this plan have expired at the date of this report.

Each option was to subscribe for one fully paid ordinary share in the Company. If issued, the share would have ranked equally with other ordinary shares of the Company. Options may not have been transferred and quotation of the options on ASX was not sought. However, subject to the Company not remaining suspended by the Australian Securities Exchange (refer Note 29), the Company would have applied for ASX official quotation of shares issued on the exercise of the options.

Parent entity

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	1:100 Consolidation Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2010							
23 June 2006	31 December 2009	$80.00	2,500	-	(2,500)	-	-
			2,500	-	(2,500)	-	-
2009							
23 June 2006	31 December 2009	$80.00[4]	250,000	(247,500)	-	2,500	2,500
			250,000	(247,500)	-	2,500	2,500

The weighted average remaining contractual life of share options outstanding at the end of 30 June 2010 was Nil years (2009 – 0.5 years).

[4] $0.80 pre-consolidation.

33 Convertible Notes

As part of the issue of 7,500,000 secured redeemable convertible notes on 6 January 2005, the Company issued 75 million free attaching options (subsequently reduced to 3,750,000 through a share consolidation) to the note holders and in consideration of fees to the Company's advisors. As part of the rights issue in January 2005, the Company granted 35 million options (subsequently reduced to 1,750,000 through share consolidation) to the Company's advisors.

Each option was to subscribe for one fully paid ordinary share in the Company. If issued, the share would have ranked equally with other ordinary shares of the Company. Options may not have been transferred and quotation of the options on ASX was not sought. However, subject to the Company not remaining suspended by the Australian Securities Exchange (refer Note 29), the Company would have applied for ASX official quotation of shares issued on the exercise of the options.

All options granted as part of this rights issue have expired at 30 June 2010 (2009: 55,000).

Date Options Granted	Expiry Date	Issue Price of Shares (post-consolidation)	Number of shares under option (post-consolidation)
6 January 2005	5 January 2010	$80.00 each	55,000

34 Subsequent Events

Other than the following, there are no matters or circumstances that have arisen since the end of the financial year which significantly affect, or may significantly affect, the operations, results, state of affairs of the Consolidated Entity that have not otherwise been disclosed elsewhere in this report:

1. Ellect Holdings Limited remains suspended by the ASX;
2. The DOCA was finalised by 17 August 2010, when the Administrators resigned as DOCA Administrators; and
3. In connection with re-organisation of the Consolidated Entity, certain inter-company debts have been released. Terms of the release include:

    a. Releasing debt by Ellect Holdings Limited (effective from the date of a creditor deed) in favour of the respective Group company, and the mutual release from all claims and liabilities in connection with the debt being released;
    b. Releasing debt by the respective Group company (effective from the date of a creditor deed) in favour of the Company, and the mutual release from all claims and liabilities in connection with the debt being released;
    c. Excepting a remaining loan totalling $200,000, all inter-company debts have been released;
    d. The $200,000 remaining loan is not recoverable from the Ellect Holdings Limited with the present financing arrangements but in the event that any investment is made by third parties in Ellect Holdings Limited leaving remnant funds owing to the lender's related parties, then the $200,000 remaining loan will leave a mechanism to recoup these funds; and
    e. The Convertible Notes outstanding at 30 June 2010 matured 5 May 2011 (refer to Note 21 for more details). At a meeting of Convertible Note holders held 10 October 2011, the Note holders resolved to assent to the term of their Convertible Notes being extended by 2 years to 5 May 2013 (by means of a formal amendment by the Security Trustee, by agreement with the Company, of the Amended and restated Convertible Note Issue Trust Deed, to take effect from 1 April 2011).

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 21 to 63 are in accordance with the *Corporations Act 2001,* including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2010 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

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

(c) the audited remuneration disclosures set out on pages 8 to 11 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

The directors have been given the declarations by an officer required by section 295A of the *Corporations Act 2001.*

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

Warren J McLeland

Warren J McLeland

Chairman

21st October 2011

Independent Auditor's Report

To the members of Ellect Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of Ellect Holdings Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of changes in equity and the 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 of the consolidated entity comprising the company and the entities it controlled at the year end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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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.*

Opinion

In our opinion:

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

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
ii. complying with Australian Accounting Standards 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 8 to 11 of the report of the directors for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 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 Ellect Holdings Limited for the year ended 30 June 2010, complies with s 300A of the *Corporations Act 2001*.

UHY Haines Norton

Mark Nicholaeff **UHY Haines Norton**

Partner Chartered Accountants

Signed at Sydney on 21 October 2011

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at *21st October 2011*.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security		
	Post consolidation Ordinary Shares	**Post consolidation Options**	**Post consolidation Convertible notes**
1 - 1000	3,217	-	1
1,001 - 5,000	35	3	3
5,001 - 10,000	2	1	1
10,001 - 100,000	11	3	1
100,001 and over	7	-	-
	3,272	7	6

There were 3,256 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	**Post 1:100 consolidation ordinary shares**	
	Number held	**Percentage of issued shares**
Utilico Ltd	2,822,292	45.6%
Republic Life Common Fund (L) Ltd	1,009,758	16.3%
Sabatica Pty Ltd	583,395	9.4%
Mr Thomas Ream	404,923	6.5%
Eclectic Investment Trust PLC	397,097	6.4%
Pendulum Investments Pty Limited	183,694	3.0%
Ingot Capital Investments Pty Ltd	107,599	1.7%
J P Morgan Nominees Australia Limited	85,465	1.4%
Startonics Pty Ltd	79,687	1.3%
HSBC Custody Nominees (Australia) Limited	64,415	1.0%
ABN Amro Bank NV	60,800	1.0%
Pendulum Capital Pty Limited	48,242	0.8%
Meridian West Capital Pty Ltd	36,780	0.6%
ANZ Nominees Limited	33,963	0.5%
Australian Taxation Office	32,810	0.5%
Custodial Services Limited	32,221	0.5%
Mr Andrew Tan & Mrs Jenny Chenn	13,233	0.2%
ING Belgie NV	13,138	0.2%
Barco NV	8,308	0.1%
Mr Ross Yates	5,924	0.1%
TOTAL	**6,023,744**	**97.1%**

Shareholder Information (continued)

C. Substantial holders

Substantial holders in the Company are set out below:

Ordinary shares	Number of post 1:100 consolidation shares	Percentage
Ingot Capital Management Pty Ltd	4,450,987	71.9%
Guinness Peat Group plc and its subsidiaries	583,395	9.4%

D. Unquoted security holders

Convertibles Notes

Name	Number of post 1:100 consolidation notes	% of notes issued
Utilico Investment Trust plc	23,462	56.4%
Republic Life Common Fund (L) Ltd	8,395	20.2%
Sabatica Pty Ltd (a subsidiary of Guinness Peat Group plc)	4,098	9.9%
Eclectic Investment Trust PLC	3,302	7.9%
Pendulum Investments Pty Ltd	1,486	3.6%
Ingot Capital Investments Pty Ltd	826	2.0%
	41,569	100.0%

E. Voting Rights

The voting rights attaching to each ordinary fully paid share are:

(a) On a show of hands every member present at a meeting in person or by proxy shall have one vote; and
(b) Upon a poll each share shall have one vote.