AZURN INTERNATIONAL LIMITED

ACN 103 539 135

ANNUAL REPORT 2009

Contents

AZURN INTERNATIONAL LIMITED
2009 ANNUAL REPORT

Corporate Information

Directors
Mr Angus Mackenzie (Chairman)
Mr Ananda Rao (Managing Director and Chief Executive Officer)
Dr Bala Kumble (Executive Director)
Mr Rama Kumble (Executive Director)
Mr Sudhi Girotti (Executive Director)

Secretary
Mr Roger Anthony

Registered office
Level 3, 607 Bourke Street
Melbourne VIC 3000

Share register
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Auditor
Moore Stephens
Level 14, 607 Bourke Street
Melbourne VIC 3000

Solicitors
Deacons
RACV Tower, 485 Bourke Street
Melbourne VIC 3000

Bankers
St George Bank Limited
Pavillion Branch, cnr Elizabeth and Bourke Streets
Melbourne VIC 3000

Stock exchange listing
Azurn International Limited shares are listed on the Australian Stock Exchange (ASX)

Website address
www.azurn.com

Chairman's Letter to Shareholders

Dear Shareholders,

The financial year has been a tumultuous period as a result of the global financial crisis. The challenge of the upheaval required extreme prudence balancing the needs of an operating company while securing necessary funds to keep the listing process going.

The Company went through this period with caution, focusing on investing in new relationships within the education enablement and enterprise conferencing/collaboration sectors, continuing investment in research and development while maintaining existing customer relationships within digital publishing as key strategies.

Milestones

1. Azurn has successfully merged with Value Chain and listed on the ASX on August 19, 2009.

2. Since its acquisition of the VCIL Group on 31 October 2007, Azurn now fully owns Digital Publishing business, an operating business with regular revenues and cash flows.

3. The Group has patents within the "unified communications" umbrella, with potential value in connecting large and medium organisations.

4. Leveraging the talents of the combined group, Azurn has released two substantial products/solutions:

   (a) Merlin Konnect – High quality integrated Audio/Data conferencing solution that delivers interaction capability to "people at work" without the need for any new infrastructure investments.

   (b) EduMagic – A solution that can deliver Real Time Interactive Long Distance Education: Conceptualise a class room without walls.

5. Azurn has signed many customers including State of Oregon (through Intel), FGH (through Azurn EU), PortPlus (in Australia) and Qwert Directories (in Australia).

Realisation of its strategic plan will take a further 24-36 months.

The Company will create value through three distinct avenues:

1. Connecting People at Work: Shareholders may have read about Cisco acquiring Tandberg for US$3b. About 2 years ago, Cisco acquired Webex for the same amount. Microsoft is looking for alternatives. All these are internet based and none of these use existing telephony, networks and devices. Merlin Konnect can empower "telco intermediaries and internet service providers" to compete.

2. Education Enablement: In India, companies in this sector are performing well. Through EduMagic and our relationship with Hughes, Azurn has an opportunity to participate in this exciting market.

3. Publishing is a large and growing industry. Azurn is positioned with technologies to cater for the production of eBooks, Digital Rights Management and eLearning.

Angus Mackenzie
Chairman

8 December, 2009

Directors' Report

Your directors present their report on the consolidated entity ("the Group") consisting of Azurn International Limited and its controlled entities for the year ended 30 June 2009 and the auditor's report thereon.

The financial report covers both Azurn International Limited as an individual entity and the consolidated entity consisting of Azurn International Limited and its controlled entities. The financial report is presented in Australian dollars.

DIRECTORS

The names of the Company's directors in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Angus Mackenzie	Chairman (appointed 28 September 2009)
Qualifications	MBA, LL.M, BA (Honours)
Experience	Mr Mackenzie has extensive experience in Australian and US capital markets from an investment banking and legal perspective and represents companies across a number of sectors including technology, media, entertainment and telecommunications. Previously Mr Mackenzie has held senior executive positions in leading international investment banks and law firms and acted as the representative officer for a US hedge fund. Mr Mackenzie regularly speaks at professional forums internationally, and is a former lecturer to MBA and LL.M students at the Universities of Sydney and Melbourne.
Interest in shares and options	Shares 1,250,000 Options None
Special responsibilities	Chair of the Nomination and Remuneration Committee and member of the Audit and Risk Committee
Directorships held in other listed entities	None
Directorships held in other listed entities within the last three years	None

Mr Ananda Rao	Managing Director and Chief Executive Officer
Qualifications	M.Eng
Experience	Mr Rao has been the Managing Director and Chief Executive Officer of Azurn since Azurn acquired VCIL in October 2007. Mr Rao is the founder of VCIL and prior to establishing VCIL was the Executive Director and General Manager of Sales & Marketing of Infosys Australia, a 100% subsidiary of Infosys Technologies Limited. Mr Rao established Infosys Australia in 1999 and resigned in October 2005 to create VCIL. Mr Rao has more than 20 years experience in ICT industries.
Interest in shares and options	Shares 57,546,157 Options None
Special responsibilities	Member of the Audit and Risk Committee and the Nomination and Remuneration Committee and Chair of the Market Disclosure Committee
Directorships held in other listed entities	None
Directorships held in other listed entities within the last three years	None

Directors' Report (continued)

DIRECTORS (continued)

Dr Bala Kumble	Executive Director and President (Products and Technology)	
Qualifications	B.Eng, M.Tech, PhD SMIEE, MAICD	
Experience	Dr Kumble is a founding director of Azurn and has 25 years experience in the telecommunications and information technology industry. Dr Kumble has been at the forefront of the development and delivery of large telecommunication infrastructures to corporations, government departments - including Education, Aviation, Defence - and banking and financial institutions - including Telstra Corporation and Telecom New Zealand. Dr Kumble was a Joint Director and Member Secretary of the National Radar Council Working Group, Government of India. He is currently a Senior Member of the Institute of Electrical and Electronics Engineers (IEEE) and was awarded the IEEE Millennium Medal for outstanding contributions.	
Interest in shares and options	Shares	7,950,279
	Options	None
Special responsibilities	Chair of the Audit and Risk Committee and member of the Nomination and Remuneration Committee	
Directorships held in other listed entities	None	
Directorships held in other listed entities within the last three years	None	

Mr Rama Kumble	Executive Director and President (Operations) (appointed 27 February 2009)	
Qualifications	B.Eng, MS (Eng), CISA	
Experience	Mr Kumble is an information technology professional with over 20 years of solid delivery experience. He is a seasoned serial entrepreneur and was a founding member of Majoris (a progressive software services and solutions company with core strengths in technology which was subsequently bought out by a listed French international company, Valtech – a highly regarded global business consulting and technology services company specialising in Agile methodology). Before co-founding VCIL, Mr Kumble was a Group Engagement Manager at Infosys Technologies Limited, managing one of its largest accounts in the Asia Pacific region.	
Interest in shares and options	Shares	49,364,291
	Options	None
Special responsibilities	Member of the Audit and Risk Committee and the Nomination and Remuneration Committee	
Directorships held in other listed entities	None	
Directorships held in other listed entities within the last three years	None	

DIRECTORS (continued)

Mr Sudhi Girotti	Executive Director and President (US Operations)	
Qualifications	B.Eng, M.Sc	
Experience	Mr Giroti was the founder of Azurn Networks Inc., and one of the co-inventors of Azurn's Convergence and Collaboration Technology. He has over 20 years of Information Technology experience working in the areas of telecommunications, wireless and the internet. During his career he has worked with major IT, Telecom and Wireless companies such as Motorola, HP, AT&T, IBM, Stratus, Logica and Accenture among others. As an entrepreneur Mr Girotti was the founding President, Chief Executive Officer and Chairman of MaxSol, co-founder, President and Chairman of Microcomputer Centre and President and Chairman of the IEEE. Mr Girotti is an avid speaker at various industry conferences, has authored various papers and holds patents in collaboration and XML technologies.	
Interest in shares and options	Shares	49,244
	Options	18,827,694
Special responsibilities	None	
Directorships held in other listed entities	None	
Directorships held in other listed entities within the last three years	None	

Mr Peter Jermyn	Independent Chaiman (appointed 27 February 2009, resigned 8 September 2009)	
Experience	Over the past 15 years Mr Jermyn has been involved in the investment banking sector through his Chairmanship of the Investment Banking Group, Consolidated Securities. That company has focused on the emerging company and capital markets and has had a substantial involvement in the successful development, funding and listing of a number of unique technologies in Australia and the US.	
Interest in shares and options	Shares	None
	Options	None
Special responsibilities	Chair of the Nomination and Remuneration Committee	
Directorships held in other listed entities	Astro Resources NL	
Directorships held in other listed entities within the last three years	Mooter Media Limited	

Directors' Report (continued)

COMPANY SECRETARY

Mr Roger G Anthony (appointed 27 February, 2009)
In addition to his role as Company Secretary, Mr Anthony is the Chief Finance Officer of the Company. His previous roles include Company Secretary and Director of Finance of Service Station Supplies Pty Ltd, Finance Director of the "Independent Petroleum Association of Australia", Manager of Corporate Services of Zimsen Partners Pty Ltd and the Group Financial Controller of Motorgear parts and Accessories Pty Ltd.

Mr Anthony holds a Masters of Business Administration, a Masters of Financial Management and a Post Graduate Diploma of Management and is a fellow of the following professional bodies:
- Australian Society of Certified Practising Accountants
- Chartered Secretaries Australia
- Chartered Association of Certified Accountants (U.K.)
- Institute of Chartered Secretaries and Administrators
- Chartered Institute of Management Accountants
- Australian Institute of Management

Mr Richard Flory (resigned 27 February, 2009)
Mr Flory retains the the role of Legal Advisor to the Company. Mr Flory has over 20 years experience as a commercial lawyer, specialising in IP and IP management, finance, company structures and capital raising.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings	Audit and Risk Committee Meetings	Nomination and Remuneration Committee Meetings	Market Disclosure Committee Meetings
Number of meetings held during the year	10	-	-	-
Director				
A. Rao	10	-	-	-
B. Kumble	10	-	-	-
R. Kumble	7	-	-	-
S. Girotti	6	-	-	-
P. Jermyn	7	-	-	-

Pre ASX listing there were no formal Board Committee meetings held as issues normally referred to the Board Committees were addressed at Board meetings.

Directors' Report (continued)

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares and options of Azurn International Limited held directly, indirectly or by director related entities were:

	Ordinary Shares		Options over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
A. Mackenzie	-	1,250,000	-	-
A. Rao #	8,333	57,537,824	-	-
B. Kumble	-	7,950,279	-	-
R. Kumble #	-	49,364,291	-	-
S. Girotti	24,622	24,622	6,867,059	11,960,635

Indirect shareholdings of 49,355,631 shares are held jointly via director related entities.

DIVIDENDS

No dividend has been paid or recommended in the current year (2008: nil).

CORPORATE INFORMATION

Corporate Structure

Azurn International Limited is a company limited by shares that is incorporated and domiciled in Australia.

Registered office

Level 3, 607 Bourke Street
Melbourne VIC 3000

Nature of operations and principal activities

Azurn International Limited is principally engaged in the development of its Multimedia Convergence Platform (MCP). The MCP enables delivery of voice data and video concurrently to a variety of wired, wireless and broadband connected devices in a seamless, feature-rich converged offering. The MCP is programmable, modular and built on a scalable platform that can connect to business applications to enable voice and data access and interactivity.

There were no significant changes in the nature of those activities during the year.

REVIEW OF OPERATIONS

The consolidated revenue from continuing operations for the 2009 financial year is $3.895m, an increase of $0.725m (23%) over the prior corresponding period. The parent entity revenue from continuing operations for the 2009 financial year is nil, a decrease of $0.261m over the previous corresponding period.

EBITDAI loss for the 2009 financial year is $3.834m, a decrease of $1.456m (61%) on the prior corresponding period. This result was primarily due to the additional costs associated with the ASX listing, professional fees and interest expense associated with the issue of convertible notes. With the ASX listing completed in August 2009, these costs will decrease significantly in the 2010 financial year.

The loss after income tax attributable to equity holders of the Company for the 2009 financial year is $6.406m, a decrease of $1.597m (20%) over the prior corresponding period.

Net assets at 30 June 2009 equate to $4.674m, a decrease of $5.518m (54%) over the prior corresponding period.

REVIEW OF OPERATIONS (continued)

Given below are details of the progress as they relate to each source of revenue for the Company: education enablement, connecting people at work (enterprise conferencing and collaboration) and digital publishing solutions.

Education Enablement

The education sector is a key growth opportunity for Azurn, as

- it combines content delivery and multi-media collaboration - two strengths of Azurn;
- the collaboration of audio, video and data sharing is ideally suited to multi-modal learning; and
- through its publishing operations and contact with key publishers, Azurn has access to high quality and quantity of educational content. Azurn will receive reseller commissions as a percentage of the book list price.

Azurn has two major projects already started, which will contribute to revenue growth in 2010 and which are detailed below:

1. India - Hughes Communications

Azurn has a licensing agreement with Hughes Communications, where Azurn will provide its EduMagic, a software and hardware solution, to Hughes to be labeled as Interactive Online Learning Solution (IOL). Hughes will use IOL for its education platform using Very Small Aperture Terminal Services (VSAT) via Hughes' satellite services for the distribution of education programs across all levels. VSAT is the preferred mode of distance education, due to its wide coverage, high reliability, ease of internet management and cost effectiveness.

The initial offering will be interactive courses from premium educational institutes to primary, secondary and tertiary students, and private coaching. The Indian market is estimated to be around US$450b, covering potentially 500 cities and 30,000 delivery Points of Presence (POPs). The other potential applications include professional and continuing education courses, staff training and hiring interviews, direct delivery of content.

In addition, maintenance revenue is expected to begin two years from now and will represent a percentage of the annual fee. Azurn also has a number of growth options in the VSAT space, including:

- continued expansion of its presence with Hughes in India in education to the 30,000 POPs;
- expand the relationship, with the launch of Azurn MERLIN conferencing solution;
- expand geographically in both conferencing and education to 1.5m global Points of Presence, including Europe and Brazil, utilizing the Hughes Communications satellite network; and
- move into other areas with Hughes, such as government or military.

IOL2 (Version 2) of this solution has now gone live in India and Hughes have given Azurn a purchase order for the first 100 licenses. Version 3 (IOL3) slated to be released during the 2010 financial year will be the final product to be rolled out across the whole of India.

2. USA – Intel

Azurn has a technology collaboration agreement with Intel and Acryn, to provide education collaboration products to schools (Kindergarten to Year 12), initially in the US and then globally. Azurn will provide installation, integration and support services for the use of Acryn's 'Knowledge Community / Virtual Learning Environment" software for schools and business, under a program developed by Intel. In addition, schools will use Azurn's "Interactive Online Learning Solution" for teacher-student collaboration. The Total US market is estimated to be around US$450b.

Director's Report (continued)

REVIEW OF OPERATIONS (continued)

Other

Azurn has the opportunity to market its education solutions to other educational institutions, especially Australia, Europe and the US. The IOS is applicable to other network companies who provide VSAT services or the KC / VLE program.

Enterprise Conferencing / Collaboration:

Azurn's collaboration or unified communications applications enable email, fax and voice, web audio and video conferencing applications to be delivered simultaneously and seamlessly. The delivery can be delivered at any time across any carrier network, over fixed line or mobile telephone, internet, broadband and wireless protocols.

The applications are centred on a hardware platform called MERLIN, for which Azurn holds the intellectual property and patent rights. MERLIN is a simple collaboration platform which allows large groups to interact globally through different media, mainly voice, data and video, delivered simultaneously to disparate devices.

Leveraging the potential of Merlin, the company has embarked on two large initiatives.

Initiative 1 : Reselling through ISPs - Merlin Konnect

Azurn has released a new solution into the market called Merlin Konnect. This hosted solution will allow any ISP (Internet Service Provider), Web Developer or Providers of Managed Services to become our Channel Partner to sell "integrated Audio & Web Conferencing". The initiative called "Connecting People At Work" will see such resellers provide services to a large number of Small to Medium Enterprise Clients. Azurn plans to release 900 Channels Capacity solutions (priced on a per channel per minute basis) into the Australian, Indian and UK/Europe Markets.

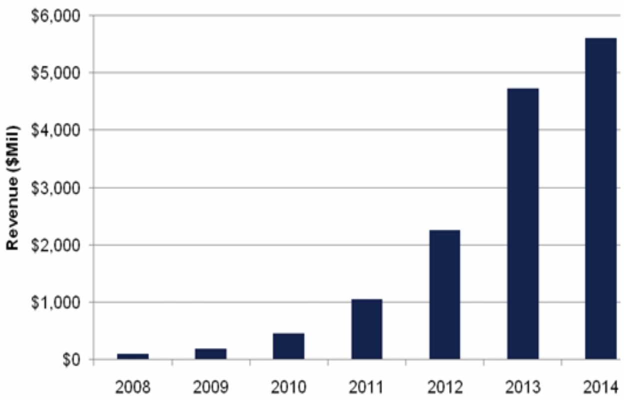
Initiative 2: Reselling through Azurn EU for UK/Europe

In 2009 Azurn appointed Azurn EU (a wholly owned subsidiary of the Private Equity Gateway Group – Europe) as an exclusive reseller of Merlin and related solutions in the UK and Europe. Under this signed agreement, Azurn EU have agreed Merlin usage targets of 100m minutes, 500m minutes and 1000m minutes for the next three years. Azurn EU has invested in a strategic sales team and has already signed their first commercial deal.

In addition to the two large initiatives discussed above, Azurn has other signed contracts or Memorandums of Understanding (MOU's) including the State of Oregon through Intel in the USA and with Port Plus and Qwert Directories in Australia.

The Collaborative Market or Unified Communications sector is estimated to be around US$18b, growing to US$24.6b in 2012, with a compound annual growth rate of around 7%. Within this sector, the Unified Communications Service/Hosted sector is expected to grow from under US$200m in 2007 to over US$2.3b in 2012 and US$5bn by 2014.

Worldwide UCaaS forecast revenues, 2008-2014



Source: Wainhouse Research, June 2009

Director's Report (continued)

REVIEW OF OPERATIONS (continued)

Digital Publishing Solutions

Azurn, through Value Chain, is a specialist in digital content management for the publishing industry, through offices in Australia, USA, UK, Singapore and India. The digital publishing market is estimated at US$5b annually, growing at 30% pa. Azurn's services cover:

Digital Conversion

Through its Knowledge Process Outsourcing arm, Azurn provides solutions to transfer publisher's frontlist and backlist intellectual property into digital form, to increase the distribution options and to provide further publishing opportunities.

The process converts paper books to the electronic form chosen by the publisher in the XML format. This is labour intensive and undertaken in two production centres (Pune and Colimbatore) in India, providing services to over 30 clients and employing around 370 staff.

Major customers include Cambridge University Press, Taylor & Francis and Informa Learning, Cengage, Gardners Books Ltd and Encyclopedia Britannica.

Content Creation

Azurn utilises its e-store and e-library digital content base to develop, diversify and increase revenue streams, including E-Books, slices of content (page, chapter and section) and other content options.

Azurn also provides specialist content marketing and distribution services. These include:

Digital Drop Ship: A process allowing publishers to provide market access and visibility to content, while retaining control over the digital content files.

Marketing Widgets: – A specific or mass marketing tool, enabling content preview.

XML Based Inspection Copies: – Provision of inspection copies, for review or comment purposes.

Content Distribution – Through Merlin and its VSAT Education delivery system, Azurn is able to distribute education content direct to key markets, such as the USA. This involves repurposing, archiving and exploitation of digital content assets. Azurn will also provide specific solution for delivery of content for large and disparate organizations.

Azurn's Advantages

- Increased speed of content generation, through a collaborative editing process;
- Reduces the time and cost of pre-copy and typesetting processes;
- Reduces product to a single process, reducing time and cost;
- Reduced cost of book publication and distribution; and
- Provides publishers with visibility on e-orders, sales, fill and usage, and missed opportunities, as well as database information.

To date, revenue has been mainly from the creating, converting (to XML), storing, distributing and selling digital books on behalf of over 60 publishers, including McGraw Hill, Cambridge University Press, Taylor and Francis and Thompson Learning. Increasing revenue will be derived from content creation, assisted by its increasing presence in education services.

Director's Report (continued)

REVIEW OF OPERATIONS (continued)

Research and Development

Innovation has been a cornerstone of Azurn's value creation process. Azurn has committed to a significant research and development program to drive continuous improvement in its existing products suites and also develop new products to meet the needs of an ever changing unified communications and digital publishing market sectors. We have released two products now: Merlin Konnect, our flagship solution to connect people at work and K2K (Klik to Konnect) that can convert a click on the web to a live human interaction session.

REVIEW OF FINANCIAL CONDITIONS

Further revenue generating opportunities are expected to be created as the Group extends its offering to a wider range of customers. Refer note 2(x) Statement of Significant Accounting Policies - Going Concern.

A significant financial burden, due to the costs associated with the ASX listing and convertible notes interest expense, will be eased in 2010. Additional funding sources will be introduced during the 2010 financial year. Refer note 3 Financial Risk Management Objectives and Policies for further details of this funding.

Management remains confident that the company has sufficient cash resources to meet the needs of the business in the coming financial year.

The future prospects and business strategies of the company have been discussed in the review of operations above.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Directors are not aware of any significant changes in the operations of the Company, or the environment in which it operates, that will adversely affect the results in subsequent years. Refer note 2(x) Statement of Significant Accounting Policies - Going Concern.

Directors' Report (continued)

EVENTS AFTER BALANCE SHEET DATE

ASX listing

The Company was admitted to the official list of the ASX on 14 August 2009. Official quotation of the Companies securities commenced on 19 August 2009. As a result of the listing additional securities were issued as follows:

	No.of Shares
Shares issued to subscribers at $0.20 per share	5,680,000
Conversion of convertible notes and loans - principal and interest (various values)	66,863,147
Share issued under a Subscription Agreement at $0.10 per share	9,000,000
	81,543,147

None of the shares issued as a result of the ASX listing were issued to the directors of the Company or any director related entities.

As at the date of the listing and as at the date of this report the total shares on issue are 231,327,241.

As at the date of this report, 103,310,077 securities are not quoted and are classified as restricted securities for varying periods. Of these restricted securities, 58,675,154 are held by directors of the company or director related enties.

Suspension from the ASX official list

On 1 October 2009 the Company was suspended from official quotation on the ASX as a result of non-lodgement of its full-year accounts by 30 September 2009 in accordance with the Listing Rules. Lodgement of the full-year accounts will result in a lifting of the suspension.

Funding arrangements

On 19 October 2009 the Company appointed leading Sydney based investment banking group MC Capital & Co. Pty Ltd (MC Capital) as its Lead Manager and Underwriter to source funding facilities of up to $5m. The agreement with MC Capital has been struck on a 12-month renewable basis with a long term focus to support any ongoing funding requirements. $5m is to be sourced before or in December 2009 with MC Capital underwriting up to 25 per cent and sub-underwriting the balance. As part of the initial funding package, MC Capital will also source up to $1.5m for equipment funding and a $0.7m working capital facility.

The funding arrangements have specific conditions as outlined in note 30: *Events after Balance Sheet Date* .

MC Capital is a related entity of the Chairman of the Company, Mr Angus Mackenzie.

Prepayments

Included in prepayments (refer note 13(a)) are two amounts totalling $1,494,157; (1) Herald Logic Private Limited totalling $729,829 (cash consideration) and (2) Dynamix Technology Solutions (Vivache Software) totalling $764,328 ($539,328 cash consideration and $225,000 in issued shares). Post 30 June 2009, Value Chain Software India Pvt Ltd (a related party to the group, refer note 25) agreed in principal to take over the risk and rewards of the prepayments (which represented the purchase of a software licence and software respectively) and has agreed to reimburse the carrying value of the assets.

Recognition of tax losses

The future tax benefit of accumulated tax losses has been recognised to the extent of the deferred tax liablities recognised at 30 June 2009. Due to the Initial Public Offering on 19 August 2009 and the change in shareholders subsequent to 30 June 2009, the future deductibility of these tax losses is not certain. As at the date of this report no assessment on the future deductibility of the tax losses has been made.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE (continued)

Change of address

On 19 October 2009 the Company notified the change of its address to Level 3, 607 Bourke Street, Melbourne 3000.

Change of company name

In the Notice of Annual General Meeting scheduled for 30 November 2009, the Company proposes to change its name from Azurn International Limited to TelCentia Limited.

The Board has proposed the change in company name to reflect a new and exciting phase in Azurn's development. The change in company name reflects the ongoing development of Azurn's business and the need for the company to establish a unique corporate brand for its identity in the international market place.

ENVIRONMENTAL ISSUES

The Company's operations are such that they are not directly affected by environmental regulations.

SHARE OPTIONS

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise Price	Number of options	
19-Aug-16	$0.25	14,362,360	Series 3 options
19-Aug-13	$0.25	10,000,000	Series 4 options
		24,362,360	

Details of options

Series 3 options:

Granted on 19 August 2009 at the time of listing in relation to a previous capital raising as follows:

(1) Evermac Pty Ltd	11,489,888
(2) Nicholas Kapes	2,872,472
	14,362,360

Series 3 options may be exercised at any time after Listing and will lapse if they are not exercised within seven years of Listing.

Series 4 options:

Granted on 19 August 2009 at the time of listing to advisors and consultants at the discretion of the Company. Series 4 options may be exercised at any time after Listing and will lapse if they are not exercised within four years of Listing.

Holders of Series 3 and Series 4 options are not entitled to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

During or since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options.

Directors' Report (continued)

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the directors and executive officers for any breach of environmental or discrimination laws by the Company, for which they may be held personally liable. The agreement provides for the Company to pay an amount not exceeding $5m per claim where:

(a) the liability does not arise out of conduct involving a lack of good faith; or
(b) the liability is for costs and expenses incurred by the director or officer in defending proceedings in which judgment is given in their favour or in which they are acquitted.

During the financial period, the Company has paid premiums in respect of a contract insuring all the directors of Azurn International Ltd against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001. The total amount of insurance contract premiums paid was $27,225.

REMUNERATION REPORT

This Remuneration Report outlines the Director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly including any Director (whether executive or otherwise) of the parent company, and includes the three executives of the parent and the Group receiving the highest remuneration.

Remuneration policy

The performance of the Company depends upon the quality of its directors and executives. To prosper in a challenging market environment, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value;
- Significant portion of executive remuneration ‘at risk’, dependent upon meeting pre-determined performance benchmarks; and
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

Remuneration and Nomination committee

The Remuneration and Nomination Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Post ASX listing on 14 August 2009, the Group will seek to emphasise reward incentives for results and continued commitment to the Group through the provision of various cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of revenue targets, return on equity ratios and continued employment with the Group. Incentive payments will result where the Group returns operating revenue that is greater than 15% from the prior year and return on equity is maintained at 25% or greater for the preceding two years. This condition will provide management with a performance target which will focus upon organic sales growth utilising existing Group resources.

REMUNERATION REPORT (continued)

Non-executive director remuneration

Objective

The board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held in June 2005 when shareholders approved an aggregate remuneration of $250,000 per annum.

Non-executive directors are encouraged by the board to hold shares in the company (purchased by the directors on market). It is considered good governance for directors to have a stake in the company on whose board he or she sits.

The remuneration of non-executive directors for the period ending 30 June 2009 is detailed on page 21 of this report.

Senior manager and executive director remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company so as to:

- reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the company; and
- ensure total remuneration by competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Remuneration and Nomination Committee considers market levels of remuneration for comparable executive roles and makes recommendations to the Board.

It is the Remuneration and Nomination Committee's policy that employment contracts are entered into with all senior mangers and executive directors.

Remuneration consists of the following key elements

- Fixed remuneration
- Variable remuneration
    - Short Term Incentive ('STI'); and
    - Long Term Incentive ('LTI')

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior manager by the Remuneration and Nomination Committee. The remuneration of senior managers and executive directors is detailed on page 21 of this report.

REMUNERATION REPORT (continued)

Fixed Remuneration

Objective
The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee and the process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market and internal advice on policies and practices.

Structure
Executive Directors and senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company. The fixed remuneration component of senior managers for the year ended 30 June 2009 is detailed on page 21 of this report.

Variable Remuneration – Short Term Incentive (STI)

Objective
The objective of the STI programme is to link the achievement of the company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the company is reasonable in the circumstances.

Structure
Actual STI payments granted to each executive and senior manager depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance. The company has predetermined benchmarks which must be met in order to trigger payments under the STI scheme.

On an annual basis, after consideration of performance against KPI's, an overall performance rating is approved by the Remuneration and Nomination Committee. Payments are usually delivered as a cash bonus.

Variable Remuneration – Long Term Incentive (LTI)

Objective
The objective of the LTI plan is to reward executives and senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such LTI grants are made to executives and senior managers who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long term performance hurdle.

REMUNERATION REPORT (continued)

Structure

LTI grants to executives and senior managers are delivered in the form of options. Details of options granted, the value of options, vesting periods and forfeited options under the LTI plan are detailed on pages 21 and 22 of this report.

Employment Contracts

Chief Executive Officer

The CEO, Mr. Ananda Rao, is employed under contract. The employment contract commenced on 20 February 2006. The contract was established by Value Chain International Limited which was acquired by Azurn International Limited on 1 October 2007. Under the terms of the contract:

- Mr. Rao is entitled to participate in any Employee Share or Options Scheme established by the Company.
- Mr. Rao may resign from his position and thus terminate this contract by giving one month's written notice.
- The company may terminate the contract by providing one month's written notice or by providing payment in lieu of some or all of the notice period (based on the fixed component of Mr. Rao's remuneration).
- The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr. Rao is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- Termination of the contract can occur with either party providing one month's notice. The Company has the option of paying any or all of the notice period as cash in lieu.

Executive Director - President (Products and Technology)

The Executive Director - President (Products and Technology) - Dr Bala Kumble, is employed under a Consultancy Agreement via a director related entity - Convergence Group Limited. The agreement commenced on 12 February 2004. Under the terms of the agreement consultancy fees are paid to Convergence Group Limited on a monthly basis. See also note 25 for further information.

Executive Director - President (Operations)

The Executive Director - President (Operations), Mr. Rama Kumble, is employed under contract. The employment contract commenced on 1 February 2006. The contract was established by Value Chain International Limited which was acquired by Azurn International Limited on 1 October 2007. Under the terms of the contract:

- Mr. Kumble is entitled to participate in any Employee Share or Options Scheme established by the Company.
- Mr. Kumble may resign from his position and thus terminate this contract by giving one month's written notice.
- The company may terminate the contract by providing one month's written notice or by providing payment in lieu of some or all of the notice period (based on the fixed component of Mr. Kumble's remuneration).
- The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr. Kumble is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- Termination of the contract can occur with either party providing one month's notice. The Company has the option of paying any or all of the notice period as cash in lieu.

Executive Director - President (US Operations)

The Executive Director - President (US Operations) - Mr Sudhi Girotti, is employed under a Consultancy Agreement The agreement commenced on 1 November 2007. Under the terms of the agreement consultancy fees are paid to Mr Girotti on a monthly basis and are accrued if not paid. See also note 25 for further information.

REMUNERATION REPORT (continued)

Employment Contracts (continued)

Other Executives (standard contracts)
All executives have rolling contracts. The company may terminate the executive's employment agreement by providing written notice (varying from individual to individual) or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration is fixed, and only up to the date of termination.

DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of key management personnel (KMP)

(i) Directors

A. Rao	Managing Director and Chief Executive Officer
B. Kumble	Executive Director - President (Products and Technology)
R. Kumble	Executive Director - President (Operations) (1)
S. Girotti	Executive Director - President (US Operations)
P. Jermyn	Independent Chairman (2)

(ii) Executives

R. Anthony	Chief Finance Officer and Company Secretary (3)
R. Flory	Legal Advisor and Company Secretary (4)
N. Marik	Vice President - Sales (Publishing)

(1) Appointed 27 February, 2009

(2) Appointed 27 February 2009, resigned 9 September, 2009

(3) Appointed to the role of Company Secretary on 27 February, 2009

(4) Resigned from the role of Company Secretary on 27 February, 2009

REMUNERATION REPORT (continued)

(b) Remuneration of key management personnel (KMP)

Table 1: Remuneration for the year ended 30 June 2009

	Short-term			Post Employment	Share Based Payments		Total
	Salary & Fees $'000	Bonuses $'000	Non-Monetary Benefits $'000	Super-annuation $'000	Options $'000	Shares $'000	$'000
Non-executive directors							
P. Jermyn	81	-	-	-	-	-	81
Executive directors							
A. Rao (1)	261	-	-	9	-	-	270
B. Kumble (2)	-	-	-	-	-	-	-
R. Kumble	184	-	-	6	-	-	190
S. Girotti	120	-	-	-	-	-	120
Other key management personnel							
R. Anthony	184	-	-	6	-	-	190
R. Flory (2)	-	-	-	-	-	-	-
N. Marik	185	-	-	-	-	-	185
Totals	1,015	-	-	21	-	-	1,036

None of the above remuneration components were paid in relation to performance.

REMUNERATION REPORT (continued)

(b) Remuneration of key management personnel (KMP) (continued)

Table 2: Remuneration for the year ended 30 June 2008

	Short-term			Post Employment	Share Based Payments		Total
	Salary & Fees	Bonuses	Non-Monetary Benefits	Super-annuation	Options	Shares	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Executive directors							
A. Rao (1)	101	-	-	7	-	-	108
B. Kumble (2)	-	-	-	-	-	-	-
R. Kumble	74	-	-	7	-	-	81
S. Girotti	80	-	-	-	-	-	80
Other key management personnel							
R. Anthony (1)	73	-	-	7	-	-	80
R. Flory (2)	-	-	-	-	-	-	-
N. Marik (1)	94	-	-	-	-	-	94
Totals	422	-	-	21	-	-	443

None of the above remuneration components were paid in relation to performance.

(1) Azurn International Limited acquired VCIL (Australia) limited on 1 October, 2007. Remuneration has been included from this date.

(2) B. Kumble and R.Flory are paid by an unrelated company which charges management fees to Azurn - refer note 26(e) for details of this contract.

(c) Remuneration options: Granted and vested during the year (consolidated)

During the financial year no options were granted to key management personnel as equity (2008: nil).

Directors' Report (continued)

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the compamy for all or any part of those proceedings.

The company was not a party to any such proceedings during the period.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services is consistent with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with *APES 110: Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

Moore Stephens received or are due to receive the following amounts for the provision of non-audit services during the year ended 30 June 2009:

	$'000
Due diligence services	138
	138

AUDITOR INDEPENDENCE

The directors have received an auditor's independence declaration for the year ended 30 June 2009 from the auditor of Azurn International Limited, refer to page 24.

This report is made in accordance with a resolution of the Board of Directors.

Ananda Rao
Managing Director

Melbourne, 8 December, 2009

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Azurn International Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

(i) No contraventions of the auditor independence requirements as set out in 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.

Moore Stephens

MOORE STEPHENS
Chartered Accountants

Scott Phillips
Partner
Melbourne, 8 December 2009

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An independent member of Moore Stephens International Limited - members in principal cities throughout the world
The Melbourne Moore Stephens firm is not a partner or agent of any other Moore Stephens firm and is a separate partnership in Victoria

Corporate Governance Statement (continued)

The Board of Directors of Azurn International Limited ("Azurn" or "the Group") is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council ("CGC") published guidelines as well as its corporate governance principles and recommendations. The focus of the Board is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

This statement incorporates the required recommendations of the ASX Corporate Governance Council issued in August 2007. Azurn is committed to maintaining high standards of corporate governance appropriate to the size and operations of the Company and the Company complies with all Australian Stock Exchange ("ASX") Corporate Governance Council Best Practice Recommendations ('ASX Recommendations'), unless otherwise stated.

Day to day management of the Group's affairs and implementation of corporate strategy and policy initiatives are delegated by the Board to the chief executive officer and the senior executive team.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board is responsible for the overall corporate governance of the Group including its strategic direction, establishing goals and responsibilities for management and monitoring the achievement of these goals. To assist in the execution of its responsibilities, the Board has established an Audit Committee and a Nomination and Remuneration Committee.

Whilst there is ongoing interaction between the Board and Management, the Board functions independently of management to establish the policy framework of the Company from which management works to perform the daily functions of the business.

The Board's Responsibilities

The Board has formalised its roles, responsibilities and general operations through the adoption of a formal Board Charter. The purpose of the charter is to:

(a) promote high standards of corporate governance;
(b) clarify the role and responsibilities of the board; and
(c) enable the board to provide strategic guidance for the Company and effective management oversight.

The Board acts in the best interest of the Company as a whole and is accountable to shareholders for the overall direction, management and corporate governance of the Company. The Board is responsible for:

- overseeing the Company, including its control and accountability systems;
- appointing and removing the chief executive officer;
- monitoring the performance of the chief executive officer;
- ratifying the appointment, and where appropriate, the removal of the chief financial officer and the company secretary;
- ratifying other senior appointments, organisational changes and senior management remuneration policies and practices;
- approving succession plans for management;
- monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- reporting to shareholders;
- providing strategic advice to management;
- approving management's corporate strategy and performance objectives;
- determining and financing dividend payments;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- approving and monitoring financial and other reporting;
- reviewing and ratifying systems of risk management, internal compliance and control, and legal compliance to ensure appropriate compliance frameworks and controls are in place;

- reviewing and overseeing the implementation of the Company's corporate code of conduct;
- approving charters of board committees;
- monitoring and ensuring compliance with legal and regulatory requirements and ethical standards and policies; and
- monitoring and ensuring compliance with best practice corporate governance requirements.

The Charter also includes details of:

- the performance review process of the board, directors and board committees;
- the procedure for directors to seek independent professional advice at the Company's expense; and
- the responsibilities of the Chair, the Chief Executive Officer and the executive team.

Board Meetings

The Board holds 10 formal meetings a year. Additional meetings are held as required. A meting is held in July each year to review and approve the strategy and financial plan for the next financial year. The Board also meets regularly with executive management to consider matters of strategic importance to the Group.

Management's Responsibilities

Responsibility for day to day management and administration of the Company is delegated by the board to the chief executive officer and the senior executive team. In carrying out his responsibilities the chief executive officer must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial position and operational results. Clear lines of communication between the Chair and the chief executive officer are established and the chief executive officer consults with the Chair, in the first place, on matters which are sensitive, extraordinary or of a strategic nature.

The role of the senior executive team is to support the chief executive officer and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Performance of Key Executives

The performance of the Company's most senior executives has been assessed this year in accordance with the process adopted by the Board.

A copy of the Board charter can be viewed on the Company's website: www.azurn.com

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board

The Board's aim is to ensure the Company has an appropriate mix of executive and non-executive directors with relevant expertise and experience to enable the Board to perform its duties with an effective understanding of the business and the operating environment. Currently the Board comprises four executive directors, one of which is the chief executive officer, and one independent non-executive director, who is also the Chair

The Board does not comply with CGC Recommendation 2.1 that the majority of the Board should be independent directors. As the company listed on 19 August 2009 the Board believes that its composition during the listing process has been appropriate to enable it to discharge its duties in the best interests of shareholders and the Company, particularly given the expertise, skills and experience that the executive directors bring to the Board. The experience of the members of the Board is set out in the Directors' Report.

The Board is actively seeking to appoint additional independent directors.

Currently all directors other than the chief executive officer are required to be re-elected by shareholders at least every three years and at least one-third of such directors must retire at each annual general meeting. Directors are not appointed for a fixed term.

Board Meetings

Each director must declare any potential conflict of interest in relation to any matter for Board consideration, and must not participate in discussions or resolutions pertaining to any matter in which that director has a material personal interest.

Nomination and Remuneration Committee

The Board has established a Nomination and Remuneration Committee. The Committee currently consists of the following Directors of the Company:

- Mr Angus Mackenzie
- Mr Ananda Rao
- Dr Bala Kumble
- Mr Rama Kumble

Details regarding directors' qualifications, the number of meetings held and attendance at those meetings are contained on pages 4 to 7 of the Directors' Report. Mr Angus Mackenzie is Chair of the committee.

The committee's charter sets out the scope of the committee's responsibilities in relation to the Company. The responsibilities of the committee include:

- identifying and recommending to the board, nominees for membership of the board including the managing director;
- identifying and assessing the necessary and desirable competencies and characteristics for board membership and regularly assessing the extent to which those competencies and characteristics are represented on the board;
- developing and implementing processes to identify and assess necessary and desirable competencies and characteristics for board members;
- ensuring succession plans are in place to maintain an appropriate balance of skills on the board and reviewing those plans; and
- recommending the removal of directors.

Access to Information

Directors are encouraged to access members of senior management at any time to request relevant information in their role as Director. In fulfilling their duties, each director and each committee of the Board may seek professional advice from appropriate external advisers, at the Company's cost. The Nomination and Remuneration Committee may meet with external advisers without management being present.

Review of Board Performance

The Nomination and Remuneration Committee annually reviews:

(a) the board's role;
(b) the processes of the board and board committees;
(c) the board's performance; and
(d) each directors performance before the director stands for re-election.

A performance evaluation for the board, its committees and directors has taken place this year in accordance with the process adopted by the Board.

A copy of the Nomination and Remuneration Committee charter can be viewed on the Company's website: www.azurn.com

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Integrity and Accountability

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Board has established a Code of Conduct to guide the Directors, the chief executive officer and other key executives. The Company's share trading policies are set out below.

Company has an ongoing commitment to promoting its Code of Conduct by:

- providing ongoing guidance on the Company's principles and practices;
- outlining the responsibility and accountability of individuals for reporting and investigating reports of unethical practices;
- confirming the Board and senior executive's commitment to the Code, and;
- providing assistance to employees to understand and comply with the Code.

The Code applies to all employees, directors and officers of Azurn and its subsidiary companies and references other Azurn policies and procedures to provide further guidance where necessary.

Ethical Standards

The Board endeavours to ensure that the directors, officers and employees of the Group act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The Company's ethical standards and expected ethical behaviour are discussed in the Code of Conduct, and cover the following general areas:

- compliance with applicable laws;
- conflicts of interest;
- inside information and securities trading;
- confidential information;
- fair dealing;
- financial reporting and accuracy of company records;
- use of company resources;
- intellectual property;
- communication of false or derogatory information;
- dealings with public officials and government entities;
- media relations and public enquiries;
- reporting and discipline.

Trading in Company Securities

Under the Company's share trading policy designated officers may trade in the Company's securities during the following periods:

(a) During the one month period beginning at the close of trading on the day after the dates on which:

i) the Company announces it half-yearly results to the ASX;

ii) the Company announces its full year results to the ASX; and
iii) the Company holds its annual general meeting

(b) After obtaining clearance from the Chair.

A designated officer is defined as a director or person engaged in the management of the Company, whether as an employee or a consultant. An employee who is not a designated officer may deal in the Company's securities or the listed securities of another entity if he or she does not have information that he or she knows, or ought reasonably to know, is inside information in relation the Company's securities or those securities of the other entity.

A copy of the Company's Code of Conduct and Share Trading Policy can be viewed on the Company's website: www.azurn.com

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Financial Reports

The Chief Executive Officer and the Chief Finance Officer ensure that the Company's financial reports are prepared in accordance with relevant accounting standards and that monthly financial reports are distributed to the Board. The annual and half yearly financial reports, and any other financial reports for release to the market, are presented for review by the Audit Committee prior to their adoption by the Board.

All annual and half-yearly financial reports presented to the Board have been reviewed by the Managing Director and Chief Executive Officer who confirm in writing to the Board that the relevant report represents a true and fair view of the Company's financial position in all material respects and is in order for adoption by the Board.

Audit and Risk Committee

The Audit and Risk Committee, established in August 2005, currently consists of the following Directors of the Company:

- Dr Bala Kumble
- Mr Angus Mackenzie
- Mr Ananda Rao
- Mr Rama Kumble

Details regarding the directors' qualifications, the number of meetings held and attendance at those meetings are contained on pages 4 to 7 of the Directors' Report. Dr Bala Kumble is Chair of the Audit Committee.

At 30 June 2009, the composition of the Audit Committee did not comply with CGC Recommendation 4.2 in that the committee did not consist of only non-executive directors and did not have a majority of independent directors. In addition the Chair of the Audit Committee was also the Chair of the Board.

Although there was not strict compliance with Recommendation 4.2 as noted previously, the Board considers that given the composition of the Board and qualifications and availability of Board members, the existing Audit Committee had the best and most suitable composition to effectively carry out its functions. This situation is regularly reviewed by the Board and will be reviewed when the Board composition changes.

The roles, responsibilities and general operations of the Audit and Risk Committee are outlined in the Audit and Risk Committee Charter. The main responsibilities of the Audit and Risk Committee include:

- review and report to the Board on the annual report, the half-year financial report and all other financial information published by the Company or released to the market;
- to consider the appropriateness of the Group's accounting policies and principles and any changes and methods of application;
- assist the Board in reviewing the effectiveness of the organisation's internal control environment and oversee the operation of the risk management system;
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and the auditor's independence;
- Review the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- Referring matters of significant concern to the board; and
- Conducting a regular review of the Committee Charter.

The Charter also includes details of:

- Committee composition;
- Meetings;
- Role and Objectives; and
- Reporting to the Board.

In fulfilling its responsibilities, the Audit and Risk Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year, or more frequently if necessary, and reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved. The external auditors have a clear line of direct communication at any time to either the Chair of the Audit and Risk Committee or the Chair of the Board.

The Audit and Risk Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

A copy of the Audit and Risk Committee Charter can be viewed on the Company's website: www.azurn.com

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure

The Directors are committed to keeping the market fully informed of material developments to ensure compliance with the ASX Listing Rules and the Corporations Act.

At each Board meeting consideration is given as to whether any matters should be disclosed under the Company's disclosure policy. The Board has appointed a Company Secretary and requires the Company Secretary to ensure timely and appropriate disclosure to the market.

The Chief Executive Officer and the company secretary act as the Continuous Disclosure Officers and ensure timely and appropriate access to information for all investors. The Directors have established written policies and procedures to ensure compliance with the disclosure requirements of the ASX Listing Rules and to ensure accountability at a senior management level.

The policy outlines:

- the Company's continuous disclosure obligations under the ASX Listing Rules;
- a procedure for the notification of potential disclosure information Continuous Disclosure Officer (Company Secretary);
- the authorised persons to handle media and shareholder enquiries; and

- the accountabilities of employees, executives, senior management and the Continuous Disclosure Officers.

Market Disclosure Committee

The Board has established a Market Disclosure Committee. The Committee currently consists of the following Directors and executives of the Company:

- Mr Ananda Rao
- Mr Roger Anthony (company secretary)

Details regarding directors' qualifications, the number of meetings held and attendance at those meetings are contained on pages 4 to 7 of the Directors' Report. Mr Ananda Rao is Chair of the committee.

A copy of the Company's Market Disclosure Protocol can be viewed on the Company's website: www.azurn.com

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Communications Strategy

The Company is committed to providing shareholders and the market with relevant and timely information concerning its operations with a view to assisting shareholders assess the Company's performance and encouraging their effective participation at general meetings. It does this by:

- continuously reporting developments through the ASX companies' announcements platform;
- reporting through the Annual Report;
- releasing appropriate information on its website;
- providing shareholders with the opportunity to correspond by phone, in writing, as well as over the Internet; and
- requesting the attendance of a representative from the Company's external auditor at the Annual General Meeting to answer questions about the audit and the preparation and content of the auditors' report.

The Company is in the process of finalising its communications policy. The Company plans to enhance its website to facilitate further electronic shareholder communication and to this end will make Annual Reports to shareholders available electronically. Hard copy reports will continue to be distributed to shareholders who elect to receive them.

General Meetings

Azurn holds its AGM in November of each year. Shareholders are encouraged to participate in general meetings. The Company's auditor is required to attend each AGM and be available to answer questions about the conduct of the audit and the preparation and contents of the auditor's report.

An Explanatory Memorandum accompanies each Notice of General Meeting. The Explanatory Memorandum seeks to explain the nature of business of the meeting in a clear and accurate manner. The full Notice of General Meeting and Explanatory Memorandum is placed on the Company's website: www.azurn.com

All holders of fully paid ordinary shares are able to vote on all resolutions unless specifically stated otherwise in the Notice of Meeting. Shareholders who are unable to attend a General Meeting in person are encouraged to vote on the proposed motions by appointing a proxy.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Assessment and Management

Risk management is an integral part of good business practice and the Board is committed to the highest standards of risk management. The Company's Audit Committee is in the process of establishing policies on risk oversight and management, risk management and internal control systems, including non-financial risks, which must be approved by the Board. The Committee will regularly report to the Board on compliance with any risk and audit policies and protocols in place at the time.

The Board will ensure that any identified risks are properly assessed and that action is taken to implement any required enhancements to the internal control environment.

Financial Reporting

At the time of confirming the integrity of financial reports to the Board in compliance with Principle 4, the Chief Executive Officer and Chief Financial Officer confirm in writing that the reports are founded on a sound system of risk management, internal compliance and control which implements the policies adopted by the Board. In addition, they confirm in writing that the Company's risk management and control system is operating efficiently and effectively in all material aspects.

Written confirmation that the 2009 reports are founded on a sound system of risk management, internal compliance and control has been submitted to the Board by the Chief Executive Officer and Chief Financial Officer.

Written confirmation that the Company's risk management and control system is operating efficiently and effectively in all material aspects has been submitted to the Board by the Chief Executive Officer and Chief Financial Officer.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Nomination and Remuneration committee

The Nomination and Remuneration Committee currently consists of the following directors:

- Mr Angus Mackenzie
- Mr Ananda Rao
- Dr Bala Kumble
- Mr Rama Kumble

Details regarding directors' qualifications, the number of meetings held and attendance at those meetings are contained on pages 4 to 7 of the Directors' Report. Mr Angus Mackenzie is Chair of the committee.

As noted previously, although there was not strict compliance in terms of the independence of directors and only having two members, the Board considers that given the composition of the Board, and qualifications and availability of Board members, the existing Nomination and Remuneration Committee had the best and most suitable composition to effectively carry out its functions. This situation is regularly reviewed by the Board and will be reviewed when the Board composition changes.

The Nomination and Remuneration Committee advises the Board on remuneration policies and practices generally. It makes specific recommendations on remuneration packages and other terms of employment for non-executive directors, the Chief Executive Officer and the Chief Finance Officer, having regard to an individual's performance, relevant comparative information, and if appropriate, independent expert advice. As well as a base salary, remuneration packages may include retirement and termination entitlements, performance-related incentives and fringe benefits.

Corporate Governance Statement (continued)

The Nomination and Remuneration Committee's terms of reference include responsibility for reviewing any transactions between the Group and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the *Corporations Act 2001* and are appropriately disclosed.

The Board has adopted a Nomination and Remuneration Committee Charter which outlines the roles and responsibilities, composition, authorities and operation of the Committee.

Executive Remuneration

The Nomination and Remuneration Committee sets quantitative and qualitative objectives to be achieved by the Chief Executive Officer and the Chief Finance Officer. The aim of these objectives is to assist successful delivery on the Company's strategic objectives and therefore these objectives are consistent with the Company's strategic objectives and are linked to the at-risk component of the executives' remuneration. The Committee is responsible for assessing the performance of the Chief Executive Officer and the Chief Finance Officer against the predetermined quantitative and qualitative objectives. The Nomination and Remuneration Committee annually reviews whether the remuneration structure has been successful in achieving its aim and takes this into account in setting objectives.

Further information on Board and Executive Management remuneration is contained in the Remuneration Report.

The Nomination and Remuneration Committee is also responsible for making recommendations to the Board in relation to the terms of any issue of equity-based remuneration to employees as a part of their individual package or a wider staff incentive and retention scheme, and for ensuring that any such issue is made in accordance with the ASX Listing Rules.

Non-Executive Director Remuneration

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

A copy of the Nomination and Remuneration Committee charter can be viewed on the Company's website: www.azurn.com

Income Statements

FOR THE YEAR ENDED 30 JUNE 2009

		CONSOLIDATED		PARENT	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Revenue					
Sales	5	3,895	3,170	-	261
Other revenue	6	36	18	2	4
		3,931	3,188	2	265
Cost of sales		(1,273)	(1,379)	(40)	(142)
Gross profit		2,658	1,809	(38)	123
Other income	7	823	318	32	48
Sales and marketing expenses		(68)	(57)	(38)	(38)
Occupancy expenses		(658)	(454)	(143)	(113)
Administration expenses		(7,867)	(7,505)	(522)	(2,050)
Other expenses	8(a)	(2,145)	(804)	(2,203)	(686)
Finance costs	8(b)	(2,668)	(1,966)	(2,109)	(1,605)
Loss before income tax		(9,925)	(8,659)	(5,021)	(4,321)
Income tax benefit	9	3,519	656	1,175	-
Net loss after income tax		(6,406)	(8,003)	(3,846)	(4,321)
Loss attributable to minority interests		1	3	-	-
Loss attributable to members of the parent entity		(6,405)	(8,000)	(3,846)	(4,321)

Earnings per share for loss attributable to the ordinary equity holders of the company:	10	cents	cents
Basic loss for the year		(4.5)	(8.4)
Diluted loss for the year		(2.2)	(7.3)

The accompanying notes form part of these financial statements

Balance Sheets

AS AT 30 JUNE 2009

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
CURRENT ASSETS					
Cash and cash equivalents	11	908	510	852	289
Trade and other receivables	12	2,304	1,599	1,906	2,605
Other assets	13	1,776	1,737	149	75
TOTAL CURRENT ASSETS		4,988	3,846	2,907	2,969
NON-CURRENT ASSETS					
Financial assets	14	-	-	23,616	23,616
Property, plant and equipment	15	561	593	91	127
Intangible assets	16	22,914	25,662	635	132
Deferred tax assets	21	2,968	6	1,175	-
TOTAL NON-CURRENT ASSETS		26,443	26,261	25,517	23,875
TOTAL ASSETS		31,431	30,107	28,424	26,844
CURRENT LIABILITIES					
Trade and other payables	17	9,284	5,670	3,149	1,581
Borrowings	18	7,611	5,498	7,611	5,498
Other financial liabilities	19	3,600	2,784	2,508	2,303
Provisions	20	112	-	-	-
TOTAL CURRENT LIABILITES		20,607	13,952	13,268	9,382
NON-CURRENT LIABILITIES					
Other financial liabilites	19	2,306	1,192	238	-
Provisions	20	5	157	-	-
Deferred tax liabilities	21	3,839	4,614	-	-
TOTAL NON-CURRENT LIABILITES		6,150	5,963	238	-
TOTAL LIABILITIES		26,757	19,915	13,506	9,382
NET ASSETS		4,674	10,192	14,918	17,462
EQUITY					
Issued capital	22	35,476	34,174	35,506	34,204
Reserves	23	(90)	321	-	-
Retained losses	23	(31,013)	(24,608)	(20,588)	(16,742)
Parent interest		4,373	9,887	14,918	17,462
Minority interests		301	305	-	-
TOTAL EQUITY		4,674	10,192	14,918	17,462

The accompanying notes form part of these financial statements

Cash Flow Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Cash flows from operating activities					
Receipts from customers		3,916	3,432	917	565
Payments to suppliers and employees		(5,473)	(6,316)	(1,512)	(3,967)
Interest received		36	18	2	-
Finance costs		(2,451)	(522)	(1,925)	(284)
Income taxes paid		(53)	(30)	-	-
Net cash flows used in operating activities	24	(4,025)	(3,418)	(2,518)	(3,686)
Cash flows from investing activities					
Purchase of property, plant and equipment		(162)	(74)	(17)	(15)
Purchase of intangible assets		(548)	(191)	(548)	(132)
Proceeds from sale of fixed assets		34	-	34	-
Purchase of investments		-	(179)	-	(179)
Cash from acquired business		-	71	-	-
Net cash flows used in investing activities		(676)	(373)	(531)	(326)
Cash flows from financing activities					
Proceeds from the issue of convertible notes		2,169	3,834	2,168	3,834
Payments for capital raising		(362)	(98)	(362)	(98)
Repayment of borrowings		(607)	(121)	(125)	(121)
Repayment of leases		(55)	-	(55)	-
Share application monies received		322	689	322	689
Proceeds from the issue of shares		1,664	-	1,664	-
Proceeds from borrowings		1,968	-	-	-
Net cash flows from financing activities		5,099	4,304	3,612	4,304
Net increase in cash and cash equivalents		398	513	563	292
Cash at beginning of the year		510	(3)	289	(3)
Cash at the end of the year	11	908	510	852	289

The accompanying notes form part of these financial statements

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

	Issued Capital $'000	Foreign Currency Translation Reserve $'000	Accumulated Losses $'000	Minority Equity Interests $'000	Total $'000	Issued Capital $'000	Accumulated Losses $'000	Total $'000
			CONSOLIDATED				PARENT	
Balance at 1 July 2007	20,764	169	(16,608)	304	4,629	20,794	(12,421)	8,373
Loss attributable to equity shareholders	-	-	(8,000)	-	(8,000)	-	(4,321)	(4,321)
Loss attributable to minority shareholders	-	-	-	(2)	(2)	-	-	-
Shares issued	13,250	-	-	-	13,250	13,250	-	13,250
Issue of convertible notes - equity value	258	-	-	-	258	258	-	258
Capital raising costs	(98)	-	-	-	(98)	(98)	-	(98)
Foreign currency translation	-	152	-	-	152	-	-	-
Reserves attributable to minority shareholders	-	-	-	3	3	-	-	-
Balance 30 June 2008	34,174	321	(24,608)	305	10,192	34,204	(16,742)	17,462
Loss attributable to equity shareholders	-	-	(6,405)	-	(6,405)	-	(3,846)	(3,846)
Loss attributable to minority shareholders	-	-	-	1	1	-	-	-
Shares issued	1,623	-	-	-	1,623	1,623	-	1,623
Issue of convertible notes - equity value	41	-	-	-	41	41	-	41
Capital raising costs	(362)	-	-	-	(362)	(362)	-	(362)
Foreign currency translation	-	(411)	-	-	(411)	-	-	-
Reserves attributable to minority shareholders	-	-	-	(5)	(5)	-	-	-
Balance 30 June 2009	35,476	(90)	(31,013)	301	4,674	35,506	(20,588)	14,918

The accompanying notes form part of these financial statements

1 CORPORATE INFORMATION

Azurn International Limited (the parent) is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the Company are described on pages 8 to 12 of the Directors' Report.

This financial report was authorised for issue by the directors on 8 December, 2009. The directors have the power to amend and reissue the financial report.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report includes the consolidated financial statements and notes of Azurn International Limited and its controlled entities ('Consolidated Group' or 'Group') and the separate financial statements and notes of Azurn International Limited as an individual entity ('Parent Entity'). Azurn International Limited is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Material accounting polices adopted in the preparation of this financial report are presented below and have been consistently applied, unless otherwise stated.

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

Accounting policies

(a) Principles of consolidation

A controlled entity is any entity over which Azurn International Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in note 25(a) to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered/(or left) the consolidated group during the year, their operating results have been included/(reduced) from the date control was obtained/(lost).

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies (continued)

(a) Principles of consolidation (continued)

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the Equity section of the consolidated Balance Sheet and in the consolidated Income Statement.

(b) Business combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(c) Income tax and goods and services tax

Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income tax and goods and services tax (continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cashflow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other operating business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(e) Foreign currency transactions and balances

(i) Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates, being Singapore Dollars, Indian Rupee, Great British Pounds, US Dollars and Australian Dollars. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

(ii) Transactions and balances

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

Non-monetary items that are measured at historical cost continue to be carried at the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

(iii) Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the year; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, deposits held at call with banks with an original maturity of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash includes cash and cash equivalents as defined above, net of any outstanding bank overdrafts, if any.

(g) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 – 60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will be bankrupt and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between 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 impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognized becomes uncollectable in a subsequent year, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(h) Investments in subsidiaries

Investments in subsidiary companies in the parent's financial statements are stated at cost, net of any impairment losses.

(i) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amount.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on either a diminishing value or straight line basis depending on the assets assessed useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired year of the lease or the estimated useful lives of the improvements. Computer software is depreciated using the straight line method. The depreciation rates applied each class of depreciable assets are:

Class of fixed assets	Depreciation Rate
Plant and equipment	35%
Leased plant and equipment	40%
Furniture, fixtures and fittings	7-35%
Computer software	20-40%

Assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(j) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which goodwill relates.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Intangible assets

Intangible assets acquired in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. Where amortisation is charged on assets with finite lives the expense is taken to the income statement.

A summary of the policies applied to the Group's intangible assets is as follows:

Intangible Asset	Useful Life	Amortisation Method	Amortisation Period/Rate	Generated or Acquired	Impairment Testing
Intellectual property rights	Finite	Straight line method	7 years from the date technology is in a state to commence utilisation	Acquired	When an indication of impairent exists
Customer contract	Finite	Straight line method	3 years	Acquired	When an indication of impairent exists
Patents	Indefinite	Not Applicable	Not Applicable	Acquired	At least annually and more frequently when an indication of impairment exists
Software and other development costs	Finite	Straight line method	14.3%-25% per annum from the date technology is in a state to commence utilisation	Internally generated/ acquired	When an indication of impairent exists

(l) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(n) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased asset or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(o) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured.

(p) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subseqently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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 end of each reporting period.

Borrowing costs

Borrowing costs are recognised as an expense when incurred. Azurn International Limited does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial Instruments

Recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted). Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or is so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the year in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised costs using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised costs using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, with reference to similar instruments and option pricing models.

Compound financial instruments

Compound financial instruments arise where a financial instrument contains both a liability and an equity component. In these instances, each component of the financial instrument is recognised and disclosed separately. The instrument is initially recognised by valuing the liability component, and assigning the residual value to equity after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(r) 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.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue and other income

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Revenue from the rendering of services is recognised based on milestones achieved and in accordance with the terms as specified in the contracts as per the proportionate completion method on the basis of work completed.

(ii) Revenue from the sale of products is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

(iii) Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant year using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iv) Revenue from sale and leaseback transactions which result in a finance lease shall not be immediately recognised as income by a seller-lessee. Instead, it shall be deferred and amortised over the lease term.

All revenue is stated net of the amount of goods and service tax (GST).

(t) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Defined Post-Employment Benefit Plan

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in retained earnings. Past service costs are recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis until the benefits become vested.

The defined benefit asset or liability recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Share-based payment transactions

The Group has the right to provide benefits to employees (including senior executives) in the form of share-base payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

(u) Earnings per share ('EPS')

Basic earnings per share is determined by dividing the operating profit/(loss) after tax by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by dividing the operating profit/(loss) after tax adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Comparative figures

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

(w) New accounting standards for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8: Operating Segments and AASB 2007-3: Amendents to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)

AASB 8 replaces AASB 114 and requires adoption of a “management approach” to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. There will be no impact on the financial report of the Group as the Group already adopts a “management approach” to segment reporting.

(ii) Revised AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Group and the parent entity intend to apply the revised standard from 1 July 2009.

(iii) Revised AASB 101: Presentation of Financial Statements and AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required. The Group and the parent entity intend to apply the revised standard from 1 July 2009.

At the time the Appendix 4E and Condensed Financial Report was lodged with the ASX on 31 August 2009, the directors of the Company considered and had decided to early adopt AASB 101 *Presentation of Financial Statements.* Since then and prior to the audited Annual Report being released, the directors have reassessed the need to early adopt AASB 101 and have determined that as they are not required to early adopt AASB 101 they would not early adopt. The impact of not early adopting relates only to disclosures and no financial impact has occurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) New accounting standards for application in future periods (continued)

(iv) Revised AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)

These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interest from 1 July 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Going Concern

The Consolidated Group and the Parent Company have experienced a net loss after income tax of $6.406m and $3.846m, have net operating cash outflows of $4.025m and $2.518m and current liabilites exceed current assets by $15.619m and $10.361m respectively as at 30 June 2009.

Not withstanding this, the Directors believe that the Consolidated Group and the Parent Company will be able to continue as a going concern on the basis that sufficient funds will be generated from a combination of sources during the coming twelve-month period to enable the Consolidated Group and the Parent Company to meet their debts as and when they fall due.

Details of the factors which the Directors have taken into consideration when forming their belief are detailed below.

• The company has entered into an agreement in October 2009 with MC Capital & Co Pty Ltd ("MC") to source up to $5,000,000 in working capital funding. The funding arrangements have specific conditions as outlined in note 30: *Events After Balance Sheet Date* ;

• In addition the company has entered into agreements under the relationship with MC to source equipment funding of up to $1,500,000 and a Debtor Facility of up to $700,000. The funding arrangements have specific conditions as outlined in note 30: *Events After Balance Sheet Date;*

• The business contracts which have been already signed and those in the sales pipeline give a clear indication that the company will become not only profitable but also generate positive net cashflows within the next 12 month period;

• The Intellectual Property of Azurn has been protected by registered patents In the US and through PCT Applications and the company is entering a patent protection regime; and

• The company has completed a significant portion of its R&D and is confident that it will generate sufficient revenue in the next 12 months from completed products to justify confidence in its cashflows.

The directors have concluded that the combination of the above factors lead them to the conclusion of having a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the financial report.

3 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments consists of cash, deposits with banks, accounts receivable and payable, loans to directors and related parties, unsecured loans, convertible notes and leases.

Financial risk management policies

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policies. The objective of the policies is to support the delivery of the Group's financial targets whilst protecting future financial security.

The board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the audit and risk committee under the authority of the board. The board reviews and agrees policies for managing each of the risks identified below, including the review of credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rates and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk; liquidity risk is monitored through the development of future rolling cash flow forecasts.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's debt obligations.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable and fixed interest rate risk:

	CONSOLIDATED									
	Weighted average effective interest rate		Maturity					
			Within 1 Year		Within 2-5 Years		Total	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's	2009 $000's	2008 $000's	2009 $000's	2008 $000's
Financial Assets								
Variable rate								
Cash and cash equivalents	5.1%	7.2%	908	510	-	-	908	510
Total financial assets	5.1%	7.2%	908	510	-	-	908	510
Financial Liabilities								
Variable rate								
Current loans - interest bearing	22.9%	20.3%	3,430	2,839	-	-	3,430	2,839
Non Current loans - interest bearing	22.9%	20.3%	-	-	282	268	282	268
Fixed rate								
Convertible notes	24.2%	30.0%	7,611	5,442	-	-	7,611	5,442
Current loans - interest bearing	15.0%	15.0%	170	-	-	-	170	-
Non Current loans - interest bearing	15.0%	15.0%	-	-	2,024	924	2,024	924
Total financial liabilities	19.2%	19.4%	11,211	8,281	2,306	1,192	13,517	9,473

3 FINANCIAL RISK MANAGEMENT

PARENT								
	Weighted average effective interest rate		Maturity					
			Within 1 Year		Within 2-5 Years		Total	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's	2009 $000's	2008 $000's	2009 $000's	2008 $000's
Financial Assets								
Variable rate								
Cash and cash equivalents	0.4%	2.6%	852	289	-	-	852	289
Total financial assets	0.4%	2.6%	852	289	-	-	852	289
Financial Liabilities								
Variable rate								
Current loans - interest bearing	28.9%	14.1%	2,508	2,303	-	-	2,508	2,303
Non current loans - interest bearing	28.9%	14.1%	-	-	238	-	238	-
Fixed rate								
Convertible notes	24.2%	30.0%	7,611	5,442	-	-	7,611	5,442
Total financial liabilities	20.0%	20.5%	10,119	7,745	238	-	10,357	7,745

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. To manage this mix in a cost-efficient manner, the Group has issued fixed interest convertible notes and fixed rate unsecured borrowings.

At 30 June 2009, approximately 73% of the Group's borrowings are at a fixed rate of interest (2008: 70%).

The Group constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

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

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

INTEREST RATE MOVEMENT	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's
CONSOLIDATED				
+1% (100 basis points)	(18)	(16)	(18)	(16)
-1% (100 basis points)	18	16	18	16
PARENT				
+1% (100 basis points)	(12)	(14)	(12)	(14)
-1% (100 basis points)	12	14	12	14

The movements in the sensitivity analysis are due to an increase in variable rate debt balances in the current financial year compared to the previous financial year.

3 FINANCIAL RISK MANAGEMENT

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on the Group's current credit rating and mix of debt in Australia and foreign countries, relationships with finance institutions and the level of debt that is expected to be renewed and economic forecaster's expectations.
- The net exposure at balance date is representative of what the Group was, and is expecting, to be exposed to in the next twelve months from balance date.

Foreign currency risk
As a result of operations in India, Singapore, United States of America and the United Kingdom, the Group's balance sheet can be affected significantly by movements in the relevant exchange rates relative to the Australian dollar.

All material financial assets and liabilities in foreign currency reside in the overseas subsidiaries which are consolidated, with foreign exchange movements being taken directly to the foreign currency translation reserve.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

At 30 June 2009, the Group had the following exposure to foreign currency risk. There were no material foreign currency assets or liabilities existing in the Parent Entity.

	CONSOLIDATED	
	2009 $000's	2008 $000's
Financial Assets		
Cash and cash equivalents	55	192
Trade and other receivables	2,017	3,170
Total financial assets	2,072	3,362
Financial Liabilities		
Trade and other payables	4,300	3,298
Loans	3,521	3,691
Total financial liabilities	7,821	6,989

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

At 30 June 2009, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, equity would have been affected as follows:

3 FINANCIAL RISK MANAGEMENT

Foreign Exchange Movement	Equity Higher/(Lower)	
	2009 $000's	2008 $000's
CONSOLIDATED		
SGD/AUD +25%	(147)	(71)
SGD/AUD -25%	147	71
INR/AUD +25%	(224)	54
INR/AUD -25%	224	(54)
GBP/AUD +25%	(137)	(63)
GBP/AUD -25%	137	63
USD/AUD +40%	(391)	-
USD/AUD -40%	391	-

The movements in the sensitivity analysis in equity year on year are due to a change in the relative weighting of each overseas subsidiary's assets and liabilities within the consolidated Group.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years historical movements and economic forecaster's expectations.
- The reasonably possible movement of 25% to 40% was calculated by taking the spot rates for each currency as at balance date, moving this spot rate by 25% to 40% and then re-converting the foreign currency into Australian dollars at the revised spot rate. This methodology reflects the translation methodology undertaken by the Group.
- The net exposure at balance date is representative of what the Group was, and is expecting, to be exposed to in the next twelve months from balance date.

Price Risk

The Group's exposure to commodity and price risk is minimal.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board.
These risk limits are regularly monitored. A breakdown of receivables by ageing is shown in the applicable note. In addition, receivable balances are monitored on an ongoing basis to minimize the occurrence of bad debts.
For the remaining financial assets there are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of AA rated financial institutions, and related parties to minimise the risk of default of counterparties.

3 FINANCIAL RISK MANAGEMENT

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities and other obligations as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible notes, finance leases and committed available credit lines.

Maturity analysis of financial assets and liability based on management's expectations

The risk implied from the values shown in the tables below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant, equipment and investments in working capital. These assets are considered in the Group's overall liquidity risk.

Due to its structure, the Group takes a consolidated view of its overall liquidity with the ability to transfer funds to/from the various subsidiaries to meet obligations.

To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting covering its worldwide business units that reflect expectations of the management of expected settlement of financial assets and liabilities. Note 2(x) describes the steps management is taking to address the net deficiency shown in the tables below.

Liquidity Profile - CONSOLIDATED	Balance as at 30 June 2009	Less than 1 year	1-5 years	Over 5 years	Total
	$000's	$000's	$000's	$000's	$000's
Realisable cash flows from financial assets					
Cash and cash equivalents	908	908	-	-	908
Trade and other receivables	2,304	2,304	-	-	2,304
Other assets	261	261	-	-	261
Anticipated cash inflows	3,473	3,473	-	-	3,473
Financial liabilities and obligations due for payment					
Trade and other payables	8,243	8,243	-	-	8,243
Current loans	3,600	3,600	-	-	3,600
Convertible notes	7,611	7,611	-	-	7,611
Non current loans	2,306	-	2,306	-	2,306
Leasing commitments	430	220	210	-	430
Anticipated cash outflows	22,190	19,674	2,516	-	22,190
Net inflow/(outflow)	(18,717)	(16,201)	(2,516)	-	(18,717)

3 FINANCIAL RISK MANAGEMENT

Liquidity Profile - PARENT	Balance as at 30 June 2009	Less than 1 year	1-5 years	Over 5 years	Total
	$000's	$000's	$000's	$000's	$000's
Realisable cash flows from financial assets					
Cash and cash equivalents	852	852	-	-	852
Trade and other receivables	1,906	1,906	-	-	1,906
Other assets	139	139	-	-	139
Anticipated cash inflows	2,897	2,897	-	-	2,897
Financial liabilities and obligations due for payment					
Trade and other payables	2,132	2,132	-	-	2,132
Current loans	2,508	2,508	-	-	2,508
Convertible Notes	7,611	7,611	-	-	7,611
Non current loans	238	-	238	-	238
Leasing commitments	27	27	-	-	27
Anticipated cash outflows	12,516	12,278	238	-	12,516
Net inflow/(outflow)	(9,619)	(9,381)	(238)	-	(9,619)

Fair value

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value, unless otherwise stated in the applicable notes.

The carrying amounts of cash and bank balances, other receivables and other payables approximate their fair values due to their short-term nature.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Provision for impairment of receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. Due to the large number of debtors, this assessment is based on supportable past collection history and historical write-offs of bad debts.

(ii) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 16.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 8(c).

5 SEGMENT INFORMATION

The Group operates predominantly in one primary business segment being digital publishing, which consists of software development and digital publishing. The Group's geographical segments are across Australia, India, Singapore, the United Kingdom and the USA.

Business segments

The Group is operating only in one business segment pertaining to the digital publishing segment, hence no business segment reporting is prepared.

Geographical segments

The Group's geographical segments are determined based on the location of the Group's assets. The analysis of geographical segments is based on the geographical location of the operations. The following tables present revenue and certain assets information regarding geographical segments for each relevant year for the Group:

	Australia	India	Singapore	United Kingdom	USA	Consolidation Adjustments	2009 Consolidated Group	2008 Consolidated Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue								
External sales	3,283	5	607	-	-	-	3,895	3,170
Other revenue	3	33	-	-	-	-	36	18
Total revenue							3,931	3,188
Result								
Segment result	(4,467)	(2,231)	407	(692)	21	(2,963)	(9,925)	(8,659)
Income tax benefit							3,519	656
Profit after income tax							(6,406)	(8,003)
Assets								
Segment Assets	34,859	3,859	565	47	123	(8,022)	31,431	30,107
Liabilities								
Segment liabilities	19,881	2,515	2,478	2,015	1,844	(1,976)	26,757	19,915
Other								
Depreciation and amortisation of segment assets	221	145	205	2	-	2,962	3,535	4,461

Intersegment transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the consolidated group at arm's length. These transfers are eliminated on consolidation.

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
6 OTHER REVENUE				
Interest	36	18	2	4
	36	18	2	4
7 OTHER INCOME				
Gain on foreign exchange	781	257	(3)	-
Profit on sale of non-current assets	34	34	34	34
Other	8	27	1	14
	823	318	32	48
8 EXPENSES				
(a) Other expenses				
Professional fees	1,702	459	995	341
Management fees	443	345	1,208	345
	2,145	804	2,203	686
(b) Finance costs				
Bad and doubtful debts	11	113	(11)	1
Bank charges	23	14	10	3
Borrowing costs	42	1	42	1
Interest expense	2,592	1,838	2,068	1,600
	2,668	1,966	2,109	1,605
(c) Depreciation, amortisation and impairment included in the income statement				
Depreciation and amortisation of fixed assets	214	163	53	74
Amortisation of intangible assets	3,321	2,963	45	-
Impairment of intangible assets	-	1,335	-	-
Impairment of investments	-	-	-	1,829
	3,535	4,461	98	1,903
(d) Employee benefits expense included in the income statement				
Wages and salaries	3,129	2,288	81	-
Other employee benefits expense	241	11	-	-
	3,370	2,299	81	-

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

9 INCOME TAX BENEFIT

(a) The components of income tax benefit comprise:

Current tax	(2,596)	65	(872)	-
Deferred tax	(923)	(721)	(303)	-
Income tax benefit reported in income statement	(3,519)	(656)	(1,175)	-

(b) The prima facie tax on the loss from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on the loss from ordinary activities before income tax at 30% (2008: 30%):	(2,977)	(2,598)	(1,506)	(1,296)
Add tax effect of:				
- Current year movement in deferred tax assets and non-deductible items	1,157	1,942	578	1,296
- Prior year tax losses recognised as deferred tax assets	(1,699)	-	(247)	-
Income tax benefit attributable to the entity	(3,519)	(656)	(1,175)	-

10 EARNINGS PER SHARE

The following reflects the income used in the basic and diluted earnings per share computations

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000
Net loss from continuing operations	(6,406)	(8,003)
Loss attributable to outside equity interests	1	3
Earnings used in the calculation of basic loss per share	(6,405)	(8,000)
Interest paid on convertible notes	1,578	-
Earnings used in the calculation of diluted loss per share	(4,827)	(8,000)
	Thousands	Thousands
Weighted average number of ordinary shares for basic loss per share	140,822	94,989
Shares issued as a result of ASX listing - capital raising and share subscription	14,680	14,680
Shares issued as a result of ASX listing - conversion of convertible notes and interest	66,863	-
Weighted average number of ordinary shares for diluted loss per share	222,365	109,669

Shares totalling 66,863,147 were issued to convertible note holders as a result of the ASX listing on 14 August 2009. These shares are dilutive and have been included in the calculation for diluted loss per share for year ended 30 June 2009. Interest paid on these convertible notes of $1,577,509 has been excluded from the earnings used in the calculation of diluted loss per share.

The Company has 18,827,694 options (2008: 18,827,694) outstanding at 30 June 2009 that could potentially dilute basic earnings per share in the future, however these options were not included in the calculation of diluted earnings per share as they are anti-dilutive for the years presented. Refer to note 22(b)(i) for details of these options.

Other shares issued post 30 June 2009 and up to the date of this report could potentially dilute basic earnings per share in the future. Refer to the directors' report for additional information regarding these shares.

11 CASH AND CASH EQUIVALENTS

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Cash at bank and on hand		908	510	852	289
		908	510	852	289

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 3.

Reconciliation to Cashflow Statement

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	908	510	852	289

	Note	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000

12 TRADE AND OTHER RECEIVABLES

	Note	2009	2008	2009	2008
Trade receivables	**12(a)**	1,090	748	-	1
Allowance for impairment loss	**12(b)**	(22)	(128)	-	-
		1,068	620	-	1
Other receivables	**12(c)**	1,236	979	380	205
Amounts receivable from					
- wholly-owned subsidiaries		-	-	1,355	2,287
- partly-owned subsidiaries		-	-	171	112
		2,304	1,599	1,906	2,605

(a) Past due but not impaired
As of 30 June 2009, receivables of the consolidated group of $578,513 (2008: $146,380) and $150,000 (2008: $nil) of the parent entity were past due but not impaired. These relate to a number of independent clients for whom there is no recent history of default. The aging analysis of these receivables is as follows:

61-90 days	78	71	-	-
91-120 days	85	36	-	-
121-180 days	38	15	-	-
181+ days	378	24	150	-
	579	146	150	-

(b) Allowance for impairment loss
Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised where there is objective evidence that an individual trade receivable is impaired. An impairment loss of $22,091 (2008: $128,099) has been recognised by the Group and $nil (2008: $nil) by the Parent in the current year.

Movements in the provision for impairment loss were as follows:

At the beginning of the financial period	128	144	-	144
Charge for the year	22	128	-	-
Amounts written off	(128)	(144)	-	(144)
At the end of the financial period	22	128	-	-

There are no balances within trade and other receivables that contain assets that are not impaired and are past due. It is expected these balances will be received when due, impaired assets are provided for in full.

(c) Related party receivable
Other receivables include receivables from related parties and key management personnel. For details of related party and key management personnel receivables refer to notes 25(d), 25(e) and 25(f).

12 TRADE AND OTHER RECEIVABLES (continued)

(d) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

On a geographical basis, the Group has significant credit risk in Australia given the substantial operations in this region. The Group's exposure to credit risk for receivables at reporting date in this region is as follows:

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Australia		1,804	850	380	139

(e) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure is disclosed in note 3.

13 OTHER CURRENT ASSETS

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Prepayments	**13(a)**	1,516	1,513	10	7
Security deposits		127	142	56	68
Other		133	82	83	-
		1,776	1,737	149	75

(a) Included in this balance are two prepayments relating to:

(1) Herald Logic Private Limited of $729,829 (cash consideration); and

(2) Dynamix Technology Solutions (Vivache Software) of $764,328 ($539,328 cash consideration and $225,000 in issued shares).

(1) Value Chain (International) Limited entered into an agreement on 4 January 2006 to acquire Herald Logic Private Limited for USD 4,007,500. As at 30 June 2009, the conditions of the acquisition were yet to be satisfied. An agreement has been reached with the owners of Herald Logic Private Limited to renegotiate the terms of the investment. Value Chain (International) Limited is no longer going to acquire Herald Logic Private Limited as originally agreed. Instead, Value Chain (International) Limited acquired the rights and access to the software of Herald Logic Private Limited. The cash consideration represents the cost to acquire this software. As at 30 June 2009, Herald Logic Private Limited was yet to provide Value Chain (International) Limited access to the software. As a result, the consideration paid has been classified as a prepayment.

(2) Value Chain (International) Limited entered into an agreement on 29 January 2006 to acquire the software of Dynamix Technological Solutions (Vivache Software) for US$1,800,000. As at 30 June 2009, the conditions of the acquisition were yet to be satisfied and as a result the investment has been classified as a prepayment.

In relation to both prepayment amounts, post year end a related party - Value Chain Software India Private Limited - has agreed in principal to take over the risks and rewards of the prepayments and has agreed to reimburse the Group for the carrying value of the assets. Refer to note 30: *Events After Balance Sheet Date.*

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
14 FINANCIAL ASSETS					
Available-for-sale financial assets	14(a)	-	-	23,616	23,616

(a) Available-for-sale financial assets comprise:

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Unlisted investments, at cost					
• Shares in controlled entities					
- Azurn America Inc.		-	-	20,186	20,186
- Value Chain (International) Limitied	14(b)	-	-	13,429	13,429
		-	-	33,615	33,615
• Impairment of investment:					
- Azurn America Inc.	14(c)	-	-	(9,999)	(9,999)
	25(a)	-	-	23,616	23,616

(b) Value Chain (International) Limited

Refer to note 27 for details of the fair value of assets and liabilities acquired and goodwill associated with the acquisition of Value Chain (International) Limited which was acquired on 31 October 2007.

(c) Impairment of the investment in Azurn America Inc

During the year ended 30 June 2008, the investment in Azurn America Inc was impaired by $1,828,859. No impairment was identified for the year ended 30 June 2009. The total impairment of the investment in Azurn America Inc is $9,999,367 (2008: $9,999,367). Refer to note 16 for further information.

15 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED					PARENT				
	Plant and equipment $'000	Fixtures and Fittings $'000	Computer equipment $'000	Leased assets $'000	Total $'000	Plant and equipment $'000	Fixtures and Fittings $'000	Computer equipment $'000	Leased assets $'000	Total $'000
Carrying amounts										
Year ended 30 June 2009										
At cost	203	379	312	113	1,007	202	83	10	113	408
Accumulated depreciation	(168)	(93)	(97)	(88)	(446)	(168)	(57)	(4)	(88)	(317)
	35	286	215	25	561	34	26	6	25	91
Year ended 30 June 2008										
At cost	203	362	268	113	946	202	73	3	113	391
Accumulated depreciation	(150)	(64)	(68)	(71)	(353)	(150)	(41)	(2)	(71)	(264)
	53	298	200	42	593	52	32	1	42	127
Movements in carrying amounts										
At 1 July 2007 (net of accumulated depreciation)	81	34	2	70	187	81	34	2	70	187
Additions	-	20	54	-	74	-	14	-	-	14
Additions through acquisition	-	314	230	-	544	-	-	-	-	-
Depreciation expense	(28)	(39)	(67)	(28)	(162)	(29)	(16)	(1)	(28)	(74)
Foreign exchange differences	-	(31)	(19)	-	(50)	-	-	-	-	-
Balance at 30 June 2008	53	298	200	42	593	52	32	1	42	127
Additions	-	37	125	-	162	-	10	7	-	17
Depreciation expense	(18)	(61)	(118)	(17)	(214)	(18)	(16)	(2)	(17)	(53)
Foreign exchange differences	-	12	8	-	20	-	-	-	-	-
Balance at 30 June 2009	35	286	215	25	561	34	26	6	25	91

16 INTANGIBLE ASSETS

	CONSOLIDATED						PARENT	
	Goodwill $'000	Intellectual property rights $'000	Customer contract $'000	Patents $'000	Software develop't costs $'000	Total $'000	Software develop't costs $'000	Total $'000
Carrying amounts								
Year ended 30 June 2009								
At cost	10,706	27,943	215	106	946	39,916	680	680
Accumulated amortisation and impairment charge	(1,335)	(15,267)	(215)	-	(185)	(17,002)	(45)	(45)
	9,371	12,676	-	106	761	22,914	635	635
Year ended 30 June 2008								
At cost	10,706	27,943	215	104	343	39,311	132	132
Accumulated amortisation and impairment charge	(1,335)	(12,116)	(123)	(15)	(60)	(13,649)	-	-
	9,371	15,827	92	89	283	25,662	132	132
Movements in carrying amounts								
At 1 July 2007	-	13,000	-	101	-	13,101	-	-
Goodwill on consolidation	9,306	-	-	-	-	9,306	-	-
Goodwill on intellectual property rights	1,335	-	-	-	-	1,335	-	-
Goodwill on customer contract	65	-	-	-	-	65	-	-
Impairment charge	(1,335)	-	-	-	-	(1,335)	-	-
Arising on the acquisition of Value Chain (Intl) Ltd	-	4,450	215	-	-	4,665	-	-
Additions		-	-	-	180	180	132	132
Additions through acquisition	-	1,144	-	-	103	1,247	-	-
Amortisation charge	-	(2,767)	(123)	-	-	(2,890)	-	-
Foreign exchange differences	-	-	-	(12)	-	(12)	-	-
Balance at 30 June 2008	9,371	15,827	92	89	283	25,662	132	132
Additions		-	-	-	548	548	548	548
Amortisation charge	-	(3,151)	(92)	-	(78)	(3,321)	(45)	(45)
Foreign exchange differences	-	-	-	17	8	25	-	-
Balance at 30 June 2009	9,371	12,676	-	106	761	22,914	635	635

16 INTANGIBLE ASSETS (continued)

Description of the Group's intangible assets

Intangible assets included in the balance sheet relate to:

(a) Goodwill on consolidation represented by:

On 31 October 2007, Azurn International Limited acquired Value Chain (International) Limited and its consolidated group. Refer to note 27 for details of the acquisition. Goodwill amounting to $9,306,102 at 30 June 2008 arose from the acquisition of Value Chain (International) Limited.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment. Refer part (c) of this note.

The directors are satisfied there have been no material changes to the assumptions made in valuing the Value Chain (International) Limited group which existed at acquisition date.

A deferred tax liability has been recognised on consolidation which relates to the intellectual property and the customer contract that was acquired when Value Chain (International) Limited was acquired where the tax base of the asset is nil.

Under AASB 112, it is inherent in the recognition of an asset that its carrying amount will be recovered in the form of economic benefits that flow to the entity in future periods. When the carrying amount of the asset exceeds its tax base, which is the case with the acquired Intellectual Property, the amount of the taxable economic benefits will exceed the amount that will be allowed as a deduction for tax purposes.

As a result, the difference is a taxable temporary difference with an obligation to pay the resulting income taxes in future periods a deferred tax liability. Where the entity recovers the carrying amount of the asset, the taxable temporary difference will reverse and the entity will have taxable profit.

On initial recognition of the deferred tax liability, the corresponding entry is to goodwill which is represented by this balance.

(b) Intellectual Property Rights of $21,296,869, acquired through the acquisition of Azurn America Inc., and $5,593,678, acquired through the acquisition of Value Chain (International) Limited and its Consolidated Group, represented by:

- Unified XML Voice and Data Media converging switch and application delivery system;
- Programmable Network convergence edge switch;
- Converged conferencing appliance and methods for concurrent voice and data conferencing sessions over networks;
- Voice / data sessions switching in a converged application delivery system.

The intellectual property is now deemed to be in a state to commence utilisation (refer note 2(k)). As a result, in the current year, the intellectual property rights have been amortised as disclosed in note 2(k). As a result of the losses incurred by the consolidated entity, intellectual property was tested for impairment, and the value at year end is supported through a value in use calculation. Refer part (c) of this note for further information.

Impairment losses recognised

In the 2006 financial year, the directors took the view that the value of the acquired intellectual property rights was impaired and went through the process to determine a value which appropriately represented the value of the acquired intellectual property rights. This process was based on a value in use calculation, and an impairment expense of $8,296,869 was recognized during the 2006 financial year. The written down value of the intellectual property at 2006 year end amounted to $13,000,000. No further impairment triggers have been identified at 30 June 2009 (2008: nil).

16 INTANGIBLE ASSETS (continued)

Description of the Group's intangible assets (Continued)

(c) A valuation report was obtained by the company at 30 June 2009 from an independent external valuer. The valuation report was prepared by Dr Maurice Venning of Valutech Proprietary Limited. Valutech is a company specialising in the valuation of identifiable intangible assets.

The valuation report covered both intellectual property on acquisition of Azurn American Inc. and intellectual property and goodwill acquired on acquisition of Value Chain (International) Limited and Controlled Entities.

Intellectual Property – Azurn America Inc.

In respect of the value in use calculation for intellectual property relating to Azurn America Inc. (refer part b. above), the following considerations applied:

- a valuation period of 5 years;
- No growth in revenues from years 3 to 5;
- a residual value of three times the final revenue flow; and
- a discount rate of between 21% and 26.2%.

On the basis of the above assumptions, no impairment was identified by the external valuation.

Intellectual Property and Goodwill – Value Chain (International) Limited and Controlled Entities

In respect of the value in use calculation for intellectual property and goodwill relating to the acquisition of Value Chain (International) Limited and Controlled Entities, the following considerations applied:

- a valuation period of 5 years;
- decreasing growth rates so that by the fifth year, there is no growth;
- a residual value of three times the final revenue flow; and
- a discount rate approximating 13.2% and 25.8%.

On the basis of the above assumptions, no impairment was identified by the external valuation.

16 INTANGIBLE ASSETS (continued)

Description of the Group's intangible assets (continued)

A sensitivity analysis on the growth rates and discount factors in respect of intellectual property and goodwill acquired on the acquisition of Value Chain (International) Limited and its Controlled entities is reflected below. The table reflects the recoverable amount of goodwill and intellectual property compared to a net carrying value at 30 June 2009 amounting to $13.9m (2008: $13.9m).

		Growth Rates				
		20%	**15%**	**10%**	**5%**	**0%**
Discount rates	**15%**	36,759	28,437	22,041	17,154	13,438
	20%	26,666	20,885	16,417	12,980	10,345
	25%	19,825	15,728	12,542	10,073	8,164
	30%	15,083	12,123	9,807	7,998	6,586
	35%	11,724	9,548	7,833	6,482	5,418
	40%	9,297	7,670	6,377	5,351	4,535

(d) Customer contract represented by:

Through the acquisition of Value Chain (International) Limited and its Consolidated Group (refer to note 27 for details of the acquisition). Azurn International Limited acquired a customer contract that was initially entered into 1 July 2003 with Taylor & Francis Group Plc.

The customer contract is considered to be a separately identifiable intangible asset and as such, has been separately recorded. The customer contract has been amortised as disclosed in Note 2(k).

(e) Patents of $103,718, acquired through the acquisition of Azurn America Inc. are represented by:

- Unified XML Voice and Data Media converging switch. Patent filed 26 March 2002 and granted on 13 June 2006. US patent number 7061928B2.
- Programmable Network convergence edge switch. Patent filed 23 April 2003 and granted on 6 May 2008. US patent number 7369540B1.
- Converged conferencing application and methods. Patent filed 25 April 2003. The patent has been published and, as at the date of signing the accounts, remains pending.
- Voice / data sessions switch. Patent filed 25 April 2003. The patent has been published and, as at the date of signing the accounts, remains pending.

(f) Software development costs are those costs that have been directly incurred to further develop the company's software. The software development costs have been amortised as disclosed in Note 2(k).

	Note	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000

17 TRADE AND OTHER PAYABLES

	Note	2009	2008	2009	2008
Trade payables		2,459	1,082	1,796	640
Other payables and accrued expenses	17(a)	5,784	3,859	336	212
Deferred revenue	17(b)-(c)	24	34	-	34
Share application monies		1,017	695	1,017	695
		9,284	5,670	3,149	1,581

(a) Included in other payables and accrued expenses are unpaid salaries due to directors of the company. Interest is charged at 15% on outstanding amounts.

(b) During the 2007 financial year, the company entered into a sale-and-leaseback arrangement. The lease term was for a period of 3 years with an implied interest rate of 20%. As a result of the sale-and-leaseback arrangement, a profit on sale arose initially when the item was sold to Keishen Proprietary Limited. The resulting profit is being recognised over the term of the 3 year lease period. The outstanding balance at 30 June 2009 with regards to this arrangement is $nil (2008: $34,324).

(c) Contracts in relation to maintenance support have been paid in advance with $23,512 (2008: nil) taken to deferred revenue.

Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3.

18 BORROWINGS

	Note	2009	2008	2009	2008
Convertible notes	18(a)	7,611	5,443	7,611	5,443
Finance lease		-	55	-	55
		7,611	5,498	7,611	5,498

(a) At 30 June 2009, a total of $5,640,995 (2008: $4,569,192) had been received from third parties in exchange for convertible notes. The balance identified above represents the liability component of the notes plus accumulated interest which, in accordance with AASB 132 is measured at amortised cost.

At the date of conversion (being at the time the group lists on the ASX) the total number of shares that will result will be dependent on the listing price and will reflect the price payable by the general public or an acquiring company, to acquire 1 ordinary share in the issuer pursuant to an IPO or backdoor listing, applied with a discount factor of either 30% or 50% depending on the conditions of the issued note. Approximately 80% of the convertible notes will automatically convert at the date of listing on the ASX. The remainder will convert or be repaid at the option of either the note holder or Azurn International Limited. The notes have an applied interest rate of between 20.50% and 50% until redemption. Refer also to note 30: *Events After Balance Sheet Date.*

	Note	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000
19 OTHER FINANCIAL LIABILITIES					
Current					
Unsecured loans	19(a)	3,430	2,784	2,508	2,303
Director loans	19(b)	170	-	-	-
		3,600	2,784	2,508	2,303

Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

	Note	CONSOLIDATED 2009	CONSOLIDATED 2008	PARENT 2009	PARENT 2008
Non-Current					
Unsecured loans	19(c)	282	268	238	-
Director loans	19(b)	1,422	924	-	-
Other liabilities	19(d)	602	-	-	-
		2,306	1,192	238	-

(a) Loans provided by third parties to pursue investing activities for the group. Interest on the loans is charged at varying rates from 5% to 35%. There are no fixed repayment terms.

(b) Loans provided by directors to pursue investing activities for the group. Interest on the loans is charged at 15%. Amounts classified as non-current are due for repayment after 30 June 2010, all other amounts are due for repayment before 30 June 2010.

(c) Loans provided by third parties to pursue investing activities for the group. Interest on the loans is charged at varying rates up to 35%. The loans are due for repayment after 30 June 2010.

(d) Unpaid salaries due to directors of the company. Interest is charged at 15% on the outstanding amount. The salaries are due for repayment after 30 June 2010.

Fair values

The carrying amount of the Group's non-current borrowings approximate their fair value.

Related party payables

For details of related party payables refer to note 25.

Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3.

	Note	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000
20 PROVISIONS					
Current					
Employee benefits		112	-	-	-
		112	-	-	-
Non-Current					
Employee benefits		5	157	-	-
		5	157	-	-

21 TAX

	Opening balance $'000	Charged to Income $'000	Charged directly to Equity $'000	Closing balance $'000
CONSOLIDATED				
Deferred tax liability				
Intellectual Property recognised on consolidation of Azurn Inc	3,900	(557)	-	3,343
Customer contract - tax allowance	64	(37)	-	27
Intellectual property - tax allowance	1,335	(127)	-	1,208
Additions through acquisition of entities	36	-	-	36
Balance at 30 June 2008	5,335	(721)	-	4,614
Intellectual Property recognised on consolidation of Azurn Inc	3,342	(557)	-	2,786
Customer contract - tax allowance	28	(27)	-	-
Intellectual property - tax allowance	1,208	(191)	-	1,017
Additions through acquisition of entities	36	-	-	36
Balance at 30 June 2009	4,614	(775)	-	3,839
Deferred tax asset				
Opening balance at 1 July 2008	-	-	-	-
Future tax benefit of prior year tax losses incurred	-	1,699	-	1,699
Future tax benefit of current year tax losses	-	1,240	-	1,240
Other	-	29	-	-
Balance as at 30 June 2009	-	2,968	-	2,939
PARENT				
Deferred tax asset				
Opening balance at 1 July 2008	-	-	-	-
Future tax benefit of prior year tax losses incurred	-	247	-	247
Future tax benefit of current year tax losses	-	928	-	928
Balance as at 30 June 2009	-	1,175	-	1,175

Due to the restructuring of the group during the 30 June 2008 year and the effect, if any, of Company listing on the ASX, there is inherent uncertainty as to the future deductibility of these tax losses. Refer to note 30: *Events After Balance Sheet Date.*

	Note	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000
22 ISSUED CAPITAL					
Ordinary shares (fully paid)	22(a)	26,062	23,246	26,092	23,276
Deferred share consideration	22(b)	9,414	10,928	9,414	10,928
		35,476	34,174	35,506	34,204

The Company has authorised share capital amounting to 149,784,094 (2008: 120,327,464) ordinary shares of no par value.

	No.	No.	No.	No.
(a) Ordinary shares				
At the beginning of the financial period	120,327,464	47,693,428	120,327,464	47,693,428
Shares issued during the year:				
20 Jul 2007	-	4,000	-	4,000
31 Oct 2007	-	70,931,092	-	70,931,092
30 Jun 2008	-	1,698,944	-	1,698,944
5 Sep 2008	17,225,000	-	17,225,000	-
13 Nov 2008	2,169,964	-	2,169,964	-
31 Dec 2008	10,061,666	-	10,061,666	-
At the end of the financial period	149,784,094	120,327,464	149,784,094	120,327,464

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Deferred share consideration

The deferred share consideration can be broken down as follows		$'000	$'000	$'000	$'000
Azurn America Inc	22(b)(i)	9,414	9,414	9,414	9,414
Value Chain (International) Limited	22(b)(ii)	-	1,514	-	1,514
		9,414	10,928	9,414	10,928

(i) Azurn America Inc.

On 11 July 2005, Azurn International Limited acquired Azurn America Inc. Of the total consideration paid of $19,655,549, which was achieved through the issue of shares, there remains a portion outstanding which has been recognised as deferred consideration.

Azurn International Limited has recognised this deferred consideration on the balance sheet which is to be issued to the Inventors Group (Sudhir K Giroti, Mandy Pahooja and Aparna Pahooja as Trustee for TMG Family Irrevocable Trust (Trust), together the Inventors Group) at a date to be determined in the future.

The Agreement recognises that pursuant to the Reorganisation and Share Exchange Agreement, Mr Giroti became the holder of 1,868,215 shares of non-voting common stock of Azurn America Inc (Azurn America Inc Non-Voting Shares), Ms Pahooja became the holder of 1,753,946 shares of Azurn America Inc Non-Voting Shares and the Trust became the holder of 1,500,000 Azurn America Inc Non-Voting Shares.

22 ISSUED CAPITAL (continued)

(b) Deferred share consideration (continued)

(i) Azurn America Inc. (continued)

As a result of the agreement, deferred consideration exists where the option holder has the right at any time to demand Azurn International Limited, to accept Azurn America Inc Non-Voting Shares in exchange for 3.67572327 shares in Azurn International Limited. The total number of shares relating to this put option is 18,827,694, which represents the existing deferred consideration for $9,413,549. This is represented on the balance sheet as deferred share consideration.

As a written put option exists on the company, which requires a fixed number of shares to be paid, Azurn International Limited has consolidated 98.01% of its subsidiary to reflect the underlying risks and rewards associated with the written put option.

(ii) Value Chain (International) Limited

The deferred share consideration of $1,514,082 in the 2008 financial period relates to the acquisition of Value Chain (International) Limited which was acquired by Azurn International Limited on 31 October 2007. Of the total consideration paid of $13,250,284 (excluding costs of acquisition), which was achieved by the issue of shares, there remained a portion outstanding which was recognised as deferred consideration and was represented by 9,369,964 ordinary shares. During the 2009 year the VCIL consideration was released and the shares issued. Refer to note 27 for details of this acquisition.

(c) Capital Management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. The gearing ratios for the year ended 30 June 2009 and 30 June 2008 are as follows:

	Note	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000
Trade and other payables	17	9,284	5,670	3,149	1,581
Borrowings	18	7,611	5,498	7,611	5,498
Other financial liabilities	19	5,906	3,976	2,746	2,303
Total borrowings		22,801	15,144	13,506	9,382
Less cash and cash equivalents	11	(908)	(510)	(852)	(289)
Net debt		21,893	14,634	12,654	9,093
Total equity		4,674	10,192	14,918	17,462
Total capital		26,567	24,826	27,572	26,555
Gearing ratio		*82%*	*59%*	*46%*	*34%*

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

23 RESERVES

Foreign currency translation reserve				
Balance at the beginning of the financial period	321	-	-	-
Total recognised income and expense	(411)	321	-	-
Balance at the end of the financial period	(90)	321	-	-

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

Retained losses				
Balance at the beginning of the financial period	(24,608)	(16,608)	(16,742)	(12,421)
Total recognised income and expense	(6,405)	(8,000)	(3,846)	(4,321)
Balance at the end of the financial period	(31,013)	(24,608)	(20,588)	(16,742)

24 CASHFLOW STATEMENT RECONCILIATION

(a) Reconciliation of net loss after tax to net cash flows from operations				
Net loss	(6,405)	(8,000)	(3,846)	(4,321)
Adjustments for non-cash movements:				
Depreciation and amortisation charge	3,535	3,126	98	74
Impairment of investment	-	-	-	1,829
Profit on sale of fixed assets	(34)	-	(34)	-
Accrued interest	-	340	-	340
Discounting of compound financial instruments	-	767	-	767
Foreign currency translation	(457)	153	-	-
Attributable to minority shareholders	(4)	-	-	-
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables	(705)	227	699	(2,211)
(Decrease) in other assets	(39)	(180)	(74)	(47)
(Decrease) in deferred tax assets	(2,962)	-	(1,175)	-
Increase/(decrease) in trade and other payables	3,861	(501)	1,814	(117)
Increase in income taxes payable	-	32	-	-
(Decrease)/increase in deferred taxes payable	(775)	618	-	-
Decrease in other liabilities	(40)	-	-	-
Net cash used in operating activities	(4,025)	(3,418)	(2,518)	(3,686)

25 RELATED PARTY DISCLOSURE

(a) Controlled entities consolidated

The consolidated financial statements include the financial statements of Azurn International Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest 2009	% Equity Interest 2008	Investments ($'000) 2009	Investments ($'000) 2008
Subsidiaries of Azurn International Limited					
- Azurn America Inc. 1	USA	98.01	98.01	10,187	10,187
- Value Chain (International) Limited 2	Australia	100	96.04	13,429	13,429
				23,616	23,616
Subsidiaries of Value Chain (International) Limited					
- Amoeba Publishing Solutions Private Limited	India	100	100		
- Merlion Conversion Labs Private Limited	India	100	100		
- DX Technologies Private Limited	India	100	100		
- Digital Publishing Solutions (S) Private Limited	Singapore	100	100		
- iSoftel Technologies Private Limited	Singapore	100	100		
- Digital Publishing Solutions Limited	UK	100	100		

1. The investment in Azurn America Inc. is shown net of impairment - refer also note 16(b).
2. The investment in Value Chain (International) Limited is shown net of impairment - refer also note 16(b)

(b) Ultimate controlling party

There is no ultimate controlling party.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 26.

25 RELATED PARTY DISCLOSURE (continued)

(d) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial years. Transactions between related parties are on normal commercial terms and conditions no more favourable that those available to other parties unless otherwise stated.

		Sales to related parties $'000	Purchases from related parties $'000	Capitalised costs $'000	Interest income $'000	Interest expense	Receivables $'000	Payables $'000
Consolidated								
Azurn International Limited	2009	-	765	-	-	-	1,526	-
	2008	-	-	-	-	-	2,399	-
Value Chain (International) Limited	2009	765	1,957	-	-	-	1,963	2,835
	2008	-	-	-	-	-	1,545	959
Amoeba Publishing Solutions Private Limited	2009	610	-	-	-	-	617	289
	2008	426	-	-	15	-	440	288
Merlion Conversion Labs Private Limited	2009	1,490	-	-	-	-	1,112	461
	2008	1,040	-	-	43	-	779	722
DX Technologies Private Limited	2009	498	-	-	-	-	1,320	-
	2008	418	-	-	-	-	1,046	-
Digital Publishing Solutions (S) Private Limited	2009	-	678	-	-	-	21	1,547
	2008	-	1,641	249	-	58	-	1,859
iSoftel Technologies Private Limited	2009	-	-	-	-	-	10	-
	2008	-	-	-	-	-	9	-
Digital Publishing Solutions Limited	2009	-	-	-	-	-	10	-
	2008	-	-	-	-	-	8	-
Parent								
Azurn America Inc	2009	-	-	-	-	-	-	821
	2008	-	-	-	-	-	-	763
Value Chain (International) Limited	2009	-	-	-	-	-	-	1,355
	2008	-	-	-	-	-	-	2,287

25 RELATED PARTY DISCLOSURE (continued)

		Interest Expense $'000	Management Fees $'000	Receivables $'000	Payables $'000
(e) Transactions with entities with a significant influence over the Group					
Convergence Group Limited	2009	149	380	-	1,290
	2008	162	345	-	1,077
Kumble Family Trust	2009	16	-	-	118
	2008	-	-	-	102
Value Chain Integration Limited	2009	-	-	4	27
	2008	-	-	-	170
Value Chain Software India Private Limited	2009	-	-	980	-
	2008	-	-	57	265
Value Chain International Inc	2009	-	-	489	102
	2008	-	-	418	445
Benchmark Holdings Pty Ltd	2009	-	-	-	7
	2008	-	-	-	8
Dee Mandala Properties Pvt Ltd	2009	-	-	82	-
	2008	-	-	82	-
Pronto Books Pty Ltd	2009	-	-	14	20
	2008	-	-	14	-
Privacon Pty Ltd	2009	-	-	-	568
	2008	-	-	-	-

25 RELATED PARTY DISCLOSURE (continued)

		Interest Expense $'000	Management Fees $'000	Receivables $'000	Payables $'000
(f) Transactions with individuals with a significant influence over the Group					
Ananda Rao	2009	221			2,022
	2008	98	-	-	939
Rama Kumble	2009	57			534
	2008	17	-	-	243
Neelish Marik	2009	40			363
	2008	16	-	-	280
Roger Anthony	2009	22			321
	2008	1	-	-	50
Sudir Kumar Giroti	2009	-	-	17	327
	2008	-	-	14	243

26 KEY MANAGEMENT PERSONNEL REMUNERATION

(a) Details of key management personnel

Directors

A. Rao	Managing Director and Chief Executive Officer
B. Kumble	Executive Director - President (Products and Technology)
R. Kumble	Executive Director - President (Operations) (1)
S. Girotti	Executive Director - President (US Operations)
P. Jermyn	Independent Chairman (2)

Executives

R. Anthony	Chief Finance Officer and Company Secretary (3)
R. Flory	Legal Counsel and Company Secretary (4)
N. Marik	Vice President - Sales (Publishing)

(1) Appointed 27 February, 2009
(2) Appointed 27 February 2009
(3) Appointed to the role of Company Secretary on 27 February, 2009
(4) Resigned from the role of Company Secretary on 27 February, 2009

Other changes of key management personnel between the reporting date and the date the financial report was authorised for issue are as follows:

P. Jermyn	Independent Chairman, resigned 9 September, 2009
A. Mackenzie	Independent Chairman, appointed 28 September, 2009

(b) Compensation of key management personnel

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Short-term employee benefits	1,015	422	81	-
Post-employment benefits	21	21	-	-
Share-based payment	-	-	-	-
	1,036	443	81	-

Refer to the Remuneration Report section of the Directors' Report for further information.

(c) Option holdings of key management personnel (consolidated)

As at 30 June 2009 18,827,694 (2008: 18,827,694) share options were held by Sudhi Girotti. The share options were acquired as a result of the acquisition of Azurn International Inc. Refer to note 22(b)(i) for further details.

26 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

(d) Shareholdings of key management personnel (consolidated)

Shares held in Azurn International Limited

30 June 2009	Balance at 1-Jul-08	Net Change Other	Balance at 30-Jun-09
Directors			
A. Rao * #	70,931,092	(12,417,484)	58,513,608
B. Kumble *	8,690,946	(740,667)	7,950,279
R. Kumble * #	70,939,752	(21,575,461)	49,364,291
S. Girotti	49,244	-	49,244
P. Jermyn	-	-	-
Executives			
R. Anthony	-	10,000	10,000
R. Flory *	6,655,279	(530,000)	6,125,279
N. Marik	-	700,000	700,000

30 June 2008	Balance at 1-Jul-07	Net Change Other	Balance at 30-Jun-08
Directors			
A. Rao * #	-	70,931,092	70,931,092
B. Kumble *	8,690,946	-	8,690,946
R. Kumble * #	8,660	70,931,092	70,939,752
S. Girotti	49,244	-	49,244
P. Jermyn	-	-	-
Executives			
R. Anthony	-	-	-
R. Flory *	6,655,279	-	6,655,279
N. Marik	-	-	-

All equity transactions with specified directors and specified executives other than those arising from the issue of shares under an Employee Share Scheme have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

* Indicates some or all of the relevant interest shareholding is held via a director related entity

\# Relevant interest shareholdings totalling 49,355,631 shares are held jointly via director related entities

(e) Other transactions with Key Management Personnel and their related parties

During the year Azurn International Limited paid Convergence Group Limited, a related entity of Bala Kumble and Richard Flory, the sum of $380,000 (2008: $345,000) in relation to consulting services provided to the Azurn Group and $149,267 (2008: $162,405) in interest on outstanding payable balances.

During the year Trevor Anthony, a related party to Roger Anthony, advanced the Company $50,000 (2008: $nil) and was paid a line fee of $500 (2008: $nil) and interest on outstanding advances of $436 (2008: $nil).

27 BUSINESS COMBINATIONS

Acquisition of Value Chain (International) Limited

On 31 October 2007, the parent entity acquired 96.04% of the issued share capital of Value Chain (International) Limited and its consolidated group, a private company which develops convergence telecommunication technology, and incorporated in Australia.

Total consideration for the acquisition of Value Chain (International) Limited and its consolidated group was $13,429,541. This was made up of actual consideration of $13,250,284 and costs of $179,257, which was satisfied through the issue of 82,000,000 ordinary shares. The fair value of the shares issued was determined by an external company valuation. Of the total shares issued, 9,369,964 remain unissued at 30 June 2008. These were originally recognised as deferred share consideration but have subsequently been issued. Refer to note 22(b) for further details.

The intellectual property acquired by the parent company, Azurn International Limited, as a result of this acquisition is being amortised over a 7 year period (refer note 2(k)). No impairment of the intellectual property asset has been identified (refer note 16(b)).

The fair value of the identifiable assets and liabilities of Value Chain (International) Limited and its Consolidated Group as at the date of acquisition were:

	Recognised on acquisition $'000	Carrying Value $'000
Cash and cash equivalents	71	71
Trade and other receivables	1,607	1,607
Prepayments	1,325	1,325
Intangible assets	1,247	1,247
Property, plant and equipment	546	546
Other assets	56	56
Total Assets	4,852	4,852
Payables	(1,312)	(1,312)
Related party loan	(2,376)	(2,376)
Other	(1,705)	(1,705)
Total Liabilities	(5,393)	(5,393)
Net Liabilities acquired	(541)	(541)

Cost of Acquisition	
Shares Allocated	13,250
Costs associated with acquisition	179
	13,429
Fair value of identifiable net liabilities	541
Identified customer contract	(214)
Identified intellectual property	(4,450)
Goodwill arising on acquisition	9,306

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment. As at 30 June 2009 no impairment of the identified goodwill has been identified (2008: nil).

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

28 COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

Operating leases (non-cancellable):

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Minimum lease payments				
– not later than one year	220	336	27	87
– later than one year and not later than five years	210	411	-	27
	430	747	27	114

The non-cancellable operating leases represents the rental premises and have lease terms of between two and five years and an average implicit interest rate of 4%.

Contingent liabilities

Included in other receivables in the parent entity are amounts due from the ATO relating to GST. The parent entity is currently undergoing an ATO review of its BAS lodgements, which has not concluded by the reporting date. As such it is not considered practicable to estimate the potential misstatement of other receivables, if any, at this stage.

29 EMPLOYEES' BENEFIT PENSION PLAN

The Group has contributed $33,908 to a superannuation fund for the year ended 30 June 2009 (2008: $44,984).

The Group has two types of defined benefit plans for its Indian entities.

(1) Gratuity scheme as per Payment of Gratuity Act 1972 (Indian law) that covers all its employees completing five years of service. The group has not made contributions to separately administered funds. No payments have been made to employees under this scheme for the year ended 30 June 2009 (2008: nil). Based on actuarial valuation, the fair value of gratuity liability of the company as at 30 June 2009 is $50,713 (2008: $48,528). Principal actuarial assumptions at 30 June 2009 are:

- Retirement age 58 years;
- Discount rate 8%;
- Future salary rise 5%.

(2) Leave Encashment Benefit as per company policy, which stipulates payment of accumulated leaves at the time of retirement/leaving. Based on actuarial variation, the fair value of leave encashment liability of the company as at 30 June 2009 is $19,633 (2008: $14,379). Principal actuarial assumptions at 30 June 2009 are:

- Retirement age 58 years;
- Discount rate 8%;
- Future salary rise 5%.

These defined benefit plans are not considered material to the consolidated group.

30 EVENTS AFTER BALANCE SHEET DATE

ASX listing

The Company was admitted to the official list of the ASX on 14 August, 2009. Official quotation of the Companies securities commenced on 19 August, 2009. As a result of the listing additional securities were issued as follows:

	No.of Shares
Shares issued to subscribers at $0.20 per share	5,680,000
Conversion of convertible notes and loans - principal and interest (various values)	66,863,147
Share issued under a Subscription Agreement at $0.10 per share	9,000,000
	81,543,147

None of the shares issued as a result of the ASX listing were issued to the directors of the Company or any director related entities.

As at the date of the listing and as at the date of this report the total shares on issue are 231,327,241.

As at the date of this report, 103,310,077 securities are not quoted and are classified as restricted securities for varying periods. Of these restricted securities, 58,675,154 are held by directors of the company or director related enties.

Suspension from the ASX official list

On 1 October, 2009 the Company was suspended from official quotation on the ASX as a result of non-lodgement of its full-year accounts by 30 September, 2009 in accordance with the Listing Rules. Lodgement of the full-year accounts will result in a lifting of the suspension.

Funding arrangements

On 19 October 2009 the Company appointed leading Sydney based investment banking group MC Capital & Co. Pty Ltd (MC Capital) as its Lead Manager and Underwriter to source funding facilities of up to $5m. The agreement with MC Capital has been struck on a 12-month renewable basis with a long term focus to support any ongoing funding requirements. $5m is to be sourced before or in December 2009 with MC Capital underwriting up to 25 per cent and sub-underwriting the balance. As part of the initial funding package, MC Capital will also source up to $1.5m for equipment funding and a $0.7m working capital facility.

The funding arrangements have specific conditions as follows:

- Prior to initial drawdown, the Company is to enter into investment documentation.
- The Company is to provide MC Capital and/ or its nominee with all requested information so as MC Capital can satisfy itself as to all matters it deems appropriates, including:
  - (i) finalisation of audit;
  - (ii) total capital requirements in line with Management estimates of between $5m and $7m, and having regard to Related Party Creditor Arrangements;
  - (iii) lifting of trading suspension;
  - (iv) resolutions put to AGM to be approved;
  - (v) an adequate level of support from existing shareholders pursuant to the Rights Issue;
  - (vi) satisfactory sub underwriting commitments via third party investors;
  - (vii) the Structural Changes flagged (including Board size and composition, financial control, treatment of related party creditors, and reporting, communications and disclosure protocols, amongst others) are made;
  - (viii) no other material adverse event occurs in respect to the operations;
  - (ix) the local and overseas operations carry on business in the ordinary course, according to budget including anticipated cash flows.
- The Company shall grant MC Capital a mandate to arrange and advise on future fundraisings activities and potential acquisitions, on commercially realistic terms and conditions.

MC Capital is a related entity of the Chairman of the Company, Mr Angus Mackenzie.

30 EVENTS AFTER BALANCE SHEET DATE (continued)

Prepayments

Included in prepayments (refer note 13(a)) are two amounts totalling $1,494,157; (1) Herald Logic Private Limited totalling $729,829 (cash consideration) and (2) Dynamix Technology Solutions (Vivache Software) totalling $764,328 ($539,328 cash consideration and $225,000 in issued shares). Post 30 June 2009, Value Chain Software India Pvt Ltd (a related party to the group, refer note 25) agreed in principal to take over the risk and rewards of the prepayments (which represented the purchase of a software licence and software respectively) and has agreed to reimburse the carrying value of the assets.

Recognition of tax losses

The future tax benefit of accumulated tax losses has been recognised to the extent of the deferred tax liablities recognised at 30 June 2009. Due to the Initial Public Offering on 19 August 2009 and the change in shareholders subsequent to 30 June 2009, the future deductibility of these tax losses is not certain.

As at the date of this report no assessment on the future deductibility of the tax losses has been made.

Change of address

On 19 October 2009 the Company notified the change of its address to Level 3, 607 Bourke Street, Melbourne 3000.

Change of company name

In the Notice of Annual General Meeting scheduled for 30 November 2009, the Company proposes to change its name from Azurn International Limited to TelCentia Limited.

The Board has proposed the change in company name to reflect a new and exciting phase in Azurn's development. The change in company name reflects the ongoing development of Azurn's business and the need for the company to establish a unique corporate brand for its identity in the international market place.

31 AUDITORS' REMUNERATION

The auditor of Azurn International Limited is Moore Stephens.

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Amounts received or due and receivable by Moore Stephens for:				
Audit and review of the financial report of the entity and any other entity in the consolidated group	212	98	112	44
Other services in relation to the entity and any other entity in the consolidated group				
- tax advice	-	23	-	14
- due diligence	138	-	138	37
	350	121	250	95
Audit and review of the financial reports of other entities in the consolidated group by audit firms other than Moore Stephens	22	31	-	-
	372	152	250	95

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 34 to 85, are in accordance with the *Corporations Act 2001 and :*

   (a) comply with Accounting Standards; and
   (b) give a true and fair view of the financial position as at 30 June 2009 and the performance for the year ended on that date of the company and the consolidated group; and

2. the Chief Executive Officer and Chief Finance Officer have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001;*

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view;

3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Ananda Rao
Managing Director

Melbourne, 8 December, 2009

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AZURN INTERNATIONAL LIMITED

We have audited the accompanying financial report of Azurn International Limited and Controlled Entities, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

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

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

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

Independence

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

Liability limited by a scheme approved under Professional Standards Legislation
An independent member of Moore Stephens International Limited - members in principal cities throughout the world
The Melbourne Moore Stephens firm is not a partner or agent of any other Moore Stephens firm and is a separate partnership in Victoria

Basis For Qualified Auditor's Opinion on Impairment of Goodwill and Investment in Subsidiary

As disclosed in Note 25(a) and Note 14, the Parent Company has a 100% shareholding in Value Chain (International) Limited and Controlled Entities (VCIL). On the acquisition of VCIL, goodwill was recognised in the Consolidated Group as disclosed in Note 16 and Note 27. As at 30 June 2009, the carrying value of the goodwill was $9,306,000.

The impairment analyses performed for the goodwill is based on a value in use calculation and assumptions as outlined in Note 16(c). The carrying value of goodwill is intrinsically linked to the continued operation of VCIL at higher revenue and cash flow projections than are currently being achieved. There is significant uncertainty whether VCIL will be able to achieve these future revenue and cash flow projections as their achievement depends on future events which are materially uncertain. In our opinion, the goodwill of $9,306,000 is fully impaired. This goodwill also underpins the Parent Company's investment of $13,429,000 recognised on the acquisition of VCIL. In our opinion, the Parent Company's investment in VCIL is also impaired by $9,306,000.

Accordingly, intangible assets in the Consolidated Group balance sheet should be reduced by $9,306,000 for the impaired goodwill, the net loss for the year and accumulated losses should be increased by $9,306,000 and net assets should be reduced to a deficiency of net assets of $829,000.

In the Parent Company, financial assets should be reduced by $9,306,000 for the impaired investment, the net loss for the year and accumulated losses should be increased by $9,306,000 and net assets should be reduced to $5,612,000.

Qualified Auditor's Opinion

In our opinion, except for the effects on the financial statements of the matters referred to in the preceding paragraph:

(a) the financial report of Azurn International Limited and Controlled Entities is in accordance with the Corporations Act, including:

  (i) giving a true and fair view of the Company and the Consolidated Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Material Uncertainty Regarding Accounting Estimate of Intangible Assets arising on consolidation of subsidiary company Azurn America Inc

Without qualification to the opinion expressed above, we draw attention to Note 25(a) and Note 16(b) in the financial report. The Parent Company has a 98.01% shareholding in Azurn America Inc (AAI). Upon the acquisition of AAI, intellectual property was recognised in the Consolidated Group. As at 30 June 2009, the carrying value of the AAI intellectual property is $9,286,000 as disclosed in Note 16.

The impairment analyses performed for the AAI intellectual property is based on a number of assumptions and accounting estimates whose outcome depends on future events which are significantly uncertain. We were therefore unable to satisfy ourselves and identify what, if any, impairment of the intangible assets should be included.

Material Uncertainty Regarding Accounting Estimate of Intangible Assets arising on consolidation of subsidiary company Value Chain (International) Limited

Without qualification to the opinion expressed above, we draw attention to Note 25(a) and Note 16(b) in the financial report. The Parent Company has a 100% shareholding in Value Chain (International) Limited and Controlled Entities (VCIL). Upon the acquisition of VCIL, intellectual property was recognised in the Consolidated Group. As at 30 June 2009, the carrying value of the VCIL intellectual property is $3,390,000 as disclosed in Note 16.

The impairment analyses performed for the VCIL intellectual property is based on a number of assumptions and accounting estimates whose outcome depends on future events which are significantly uncertain. We were therefore unable to satisfy ourselves and identify what, if any, impairment of the intangible assets should be included.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 2(x) in the financial report which indicates that the Consolidated Group and the Parent Company incurred a net loss after income tax of $6,406,000 and $3,846,000, have net operating cash outflows of $4,025,000 and $2,518,000, and current liabilities exceed current assets by $15,619,000 and $10,361,000 respectively as at 30 June 2009.

These conditions, along with other matters as set forth in Note 2(x), indicate the existence of a material uncertainty which may cast significant doubt about the Consolidated Group and Parent Company's ability to continue as a going concern, and whether the Consolidated Group and Parent Company will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Moore Stephens

MOORE STEPHENS
Chartered Accountants

Scott Phillips
Partner

Melbourne, 8 December 2009

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 8 December 2009.

(a) Distribution of equity securities

Ordinary share capital

231,327,241 fully paid ordinary shares are held by 608 individual shareholders

All issued ordinary shares carry one vote per share and carry the rights to dividends

The number of shareholders, by size of holding, in each class of share is:

	Ordinary shares
1 - 1,000	-
1,001 - 5,000	19,280
5,001 - 10,000	1,856,516
10,001 - 100,000	9,177,574
100,000 and over	220,273,871
	231,327,241
Holding less than a marketable parcel	12,780

(b) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
Benchmark Holdings (Aust) Pty Ltd	32,000,000	13.83%
Pronto Books Pty Ltd	17,355,631	7.50%

ASX Additional Information (continued)

(c) Twenty largest quoted equity security holders

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

		Ordinary shares	
		Number held	Percentage of issued shares
1	Benchmark Holdings (Aust) Pty Ltd	32,000,000	13.83%
2	Pronto Books Pty Ltd	17,355,631	7.50%
3	Privacon Pty Ltd	13,958,330	6.03%
4	P.J. Datema	10,200,000	4.41%
5	Value Chain Software India Pvt Ltd	8,122,633	3.51%
6	Rahul V Singh Roth (IRA)	7,819,202	3.38%
7	B. Kumble & Associates Pty Ltd	6,750,279	2.92%
8	Perizza Pty Ltd	6,125,279	2.65%
9	Middle East Petroleum Pty Ltd	5,673,613	2.45%
10	Ashis Kumar	5,333,330	2.31%
11	Gerard Toulemond	5,067,383	2.19%
12	Monka Investments Inc	4,212,132	1.82%
13	Ashwin Investment Holdings Ltd	4,000,000	1.73%
14	R.Krasnoff Holdings Pty Ltd	3,330,205	1.44%
15	HSBC Custody Nominees (Australia) Limited	3,000,000	1.30%
16	Dunn-Carr Capital Ltd	2,785,725	1.20%
17	Daniel P. Milsom	2,673,975	1.16%
18	Jennifer Took Superannuation Pty Ltd	2,500,000	1.08%
19	Elain Ambesi	2,375,533	1.03%
20	Caason Investments Pty Ltd	2,245,890	0.97%
		145,529,140	62.91%