



ABN 23 009 112 725

Financial Report

For the Year Ended 30 June 2012

Videlli Limited and its Controlled Entities

Financial Year Ended 30 June 2012

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Videlli Limited and its Controlled Entities

Directors' Report

For the Year Ended 30 June 2012

The Directors present their report on the consolidated entity consisting of Videlli Limited and its controlled entities ('Videlli') for the year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

1. GENERAL INFORMATION

Directors

The names of the Directors in office at any time during, or since the end of the year are:

Names	Appointed
C J Henson	21 March 2005
D P Saville	2 May 2003
M O Clarey	31 January 2005

Principal Activities

The principal activity of Videlli is to manage the current litigation with the Public Transport Ticketing Corporation of New South Wales regarding the Sydney Integrated Ticketing System Project Agreement termination.

Company Secretary

Simon Davey

Mr Davey held the position of company secretary for the year ended 30 June 2012, responsible for managing all company secretarial matters

Mr Davey has a Bachelor of Laws and a Bachelor of Commerce (Finance Major) and is registered as a sole legal practitioner in the State of Victoria. Mr Davey has been with Videlli since 2006.

2. BUSINESS REVIEW

Operating Results

The consolidated loss after income tax and minority interest for the year, attributable to members of Videlli was \$7,609,785 (2011: \$7,478,192 loss). The loss for the current financial year materially relates to an increase in the provision for litigation costs of \$7,130,000.

The litigation matter previously disclosed as a Contingent Asset and Liability by Videlli Limited, being litigation proceedings between Videlli Limited and its wholly owned subsidiary Integrated Transit Solutions Ltd against the Public Transport Ticketing Corporation of New South Wales was settled on 1 February 2012 between all parties, with the result being that Videlli Limited must pay an amount of \$5,000,000 to the Public Transport Ticketing Corporation of New South Wales (PTTC), which was duly paid on 21 February 2012. The litigation has now completed.

Dividends Paid or Recommended

No dividends were paid or declared for the year ended 30 June 2012 (2011: nil).

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board acknowledges the importance of effective risk management by combining the functions of audit, risk management, internal control and compliance under the Audit and Risk Committee. The Audit and Risk Committee Charter is available on the company website.

The risk function of the Audit and Risk Committee includes the following:

- facilitate and oversee the process for identification and management of business risk;
- review the business risk analysis and consider its rigor and completeness;
- manage the Videlli insurance program in light of the business risk analysis;
- review Videlli's preparedness for addressing major loss events; and
- review and recommend risk management education processes and tools.

The Group's approach to risk management is summarised in the Videlli Risk Management Policy that was approved by the Board in June 2000 and has established a number of structures and processes for the effective management of business risk, including the following:

- Implementation of Board - approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature; and
- The establishment of a Documents Review Committee to authorise execution of various documents. The committee consists of any two Directors or a Director and the Company Secretary.

Videlli Limited and its Controlled Entities

Directors' Report

For the Year Ended 30 June 2012

2. BUSINESS REVIEW continued

Employees

Nil employees remain as at 30 June 2012 (2011: nil).

3. DIRECTOR INFORMATION

Information on Directors

C J HENSON	Chairman, Independent Non-Executive Director : Aged 64
Qualifications	F CPA, DipLaw(BAB), FCIS, FCIM, FAICD
Experience	Mr Henson brings over 30 years experience in corporate management across a broad range of industries.
D P SAVILLE	Non-Executive Director : Aged 55
Qualifications	BCom (Hons), BSc (Hons), FCA, FFin
Experience	Mr Saville is an experienced director. Mr Saville is the principal of a global funds management group, Ingot Capital Management Pty Ltd (Ingot).
M O CLAREY	Independent Non-Executive Director : Aged 65
Qualifications	BA, MIM
Experience	Mr Clarey brings over 30 years international banking and finance experience.

The above named directors held office during and since the financial year.

Meetings of Directors

To assist in the execution of responsibilities and in addition to its regular meetings, the Board has established the Audit & Risk Committee and the Remuneration & Nominations Committee. Meetings are held as required. During the financial year, seven (7) meetings of Directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	COMMITTEE MEETINGS					
	Directors' Meetings		Audit & Risk Committee		Remuneration & Nominations Committee	
	Number Eligible to attend	Number attended	Number Eligible to attend	Number attended	Number Eligible to attend	Number attended
C J Henson	7	7	5	5	-	-
D P Saville	7	6	5	5	-	-
M O Clarey	7	6	5	4	-	-

4. OTHER ITEMS

Changes in State of Affairs

During the current financial year, the litigation proceedings that Videlli Ltd and its wholly owned subsidiary, Integrated Transit Solutions Ltd, conducted against the Public Transport Ticketing Corporation of New South Wales was settled for a sum of \$5,000,000 in favour of the Public Transport Ticketing Corporation of New South Wales. Other than this event, there has been no other significant changes in the consolidated entity's state of affairs during the current financial year.

Subsequent events

On 5 September 2012, Vix Treasury Pty Ltd and Videlli Limited agreed to:

(a) extension of the Litigation Funding Agreement limit to \$26,010,916, and;

(b) an Administrative Funding Agreement capped at \$450,000.

Please refer to note 1(c) of this financial report for details of the due dates for these agreements.

Other than the items detailed above, no other matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results or state of affairs of Videlli Limited in subsequent periods.

Future developments

Disclosure of information regarding likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2012 can be found on page 5 of the financial report.

Videlli Limited and its Controlled Entities

Directors' Report

For the Year Ended 30 June 2012

4. OTHER ITEMS continued

Environmental Regulations

Based on continual reviews of the Group's operations, the directors confirm that there are no particular environmental obligations to which Videlli or its controlled entities are subject, outside of the usual common law and legislative requirements.

5. INDEMNIFICATION AND INSURANCE

Indemnification

Videlli's Constitution provides for an indemnity of Directors, executive officers and company secretaries where liability is incurred in connection with the performance of their duties in those roles other than as a result of their negligence, default or breach of duty in relation to the consolidated entity. The indemnification will also meet the full amount of any such liabilities, including legal fees where that person is acquitted or where proceedings are withdrawn before judgement. Videlli has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of Videlli or of any related body corporate against a liability incurred as such by an officer or auditor.

Insurance Premiums

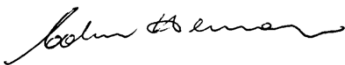
The consolidated entity has paid insurance premiums in respect of Directors and Officers' liability, legal expenses and insurance contracts for current Directors and Officers, including company secretaries of the consolidated entity, and Directors and company secretaries of its controlled entities. In accordance with commercial practices, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premiums paid.

6. OPTIONS

At the date of this report, there are nil unissued ordinary shares of Videlli Limited under option.

This report is made in accordance with a resolution of the Board of Directors pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors



Chairman
C J Henson

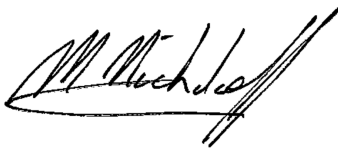
Dated: 27th September 2012, Sydney, New South Wales

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

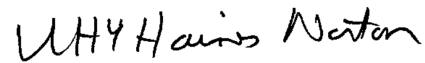
To the Directors of Videlli Limited

As auditor for the audit of Videlli Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

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



M. D. Nicholaeff
Partner
Sydney
27th September 2012



UHY Haines Norton
Chartered Accountants

Videlli Limited and its Controlled Entities

Consolidated statement of comprehensive income

For the Year Ended 30 June 2012

	Note	CONSOLIDATED	
		2012	2011
		\$	\$
Revenue	2	286,093	557,405
Total		286,093	557,405
Employee benefits expense	3	(18,598)	(18,532)
Other labour and consulting costs		(183,486)	(183,486)
Finance costs	3	(20,180)	(25,000)
Litigation legal fees		(2,130,000)	(7,460,000)
Litigation settlement payment		(5,000,000)	-
Directors & Officers Insurance		(133,792)	(130,000)
Share Registry Costs		(75,686)	(38,175)
Other expenses		(334,136)	(180,404)
Loss before income tax		(7,609,785)	(7,478,192)
Income tax benefit	4	-	-
Loss after income tax		(7,609,785)	(7,478,192)
Net loss for the year		(7,609,785)	(7,478,192)
Other comprehensive income			
Exchange differences on translating foreign operations		1,615	(6,444)
Other comprehensive income for the year, net of tax		1,615	(6,444)
Total comprehensive loss for the year		(7,608,170)	(7,484,636)
Loss for the year is attributable to:			
- Members of parent entity		(7,609,785)	(7,478,192)
Total comprehensive loss for the year is attributable to:			
- Members of parent entity		(7,608,170)	(7,484,636)

The consolidated statement of comprehensive income is to be read in conjunction with the notes to these financial statements

Videlli Limited and its Controlled Entities

Consolidated statement of financial position

As at 30 June 2012

	Note	CONSOLIDATED	
		2012	2011
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		73,728	4,705
Trade and other receivables	5	423,172	152,826
Other assets	6	35,417	94,113
TOTAL ASSETS		532,317	251,644
LIABILITIES			
Current liabilities			
Trade and other payables	7	197,136	110,202
Borrowings	8	-	13,988,809
Provisions	9	1,460,094	4,252,989
Total current liabilities		1,657,230	18,352,000
Non-current liabilities			
Borrowings	8	24,583,613	-
TOTAL LIABILITIES		26,240,843	18,352,000
NET DEFICIENCY		(25,708,526)	(18,100,356)
EQUITY			
Issued capital	10	711,870,834	711,870,834
Reserves		(7,549)	(9,164)
Accumulated losses		(737,571,811)	(729,962,026)
TOTAL DEFICIENCY		(25,708,526)	(18,100,356)

The consolidated statement of financial position is to be read in conjunction with the notes to these financial statements

Videlli Limited and its Controlled Entities

Consolidated statement of cashflows

For the Year Ended 30 June 2012

	Note	CONSOLIDATED	
		2012	2011
		\$	\$
Cash flows from operating activities			
Receipts from customers		384,604	500,764
Payments to suppliers and employees		(10,894,978)	(8,300,311)
Cash used in operations		(10,510,374)	(7,799,547)
Interest received		4,675	4,862
Finance costs		(20,180)	(25,000)
Net cash used in operating activities	13	(10,525,879)	(7,819,685)
Cash flows from financing activities			
Proceeds from borrowings		10,594,804	7,733,477
Net cash provided by financing activities		10,594,804	7,733,477
Net increase / (decrease) in cash and cash equivalents		68,925	(86,208)
Cash and cash equivalents at the beginning of the financial year		4,705	90,788
Effect of exchange rate fluctuations on cash held in foreign currencies		98	125
Cash and cash equivalents at the end of the financial year		73,728	4,705

The consolidated cash flow statement is to be read in conjunction with the notes to these financial statements

Videlli Limited and its Controlled Entities

Consolidated statement of changes in equity

For the Year Ended 30 June 2012

	CONSOLIDATED			Total
	Issued capital	Accumulated Losses	Foreign Currency Translation Reserve	
	\$	\$	\$	\$
Balance as at 1 July 2011	711,870,834	(729,962,026)	(9,164)	(18,100,356)
Changes				
Net loss for the year	-	(7,609,785)	-	(7,609,785)
Other comprehensive income for the year	-	-	1,615	1,615
Total comprehensive income for the year	-	(7,609,785)	1,615	(7,608,170)
Deficiency as at 30 June 2012	711,870,834	(737,571,811)	(7,549)	(25,708,526)
Balance as at 1 July 2010	711,870,834	(722,483,834)	(2,720)	(10,615,720)
Changes				
Net loss for the year	-	(7,478,192)	-	(7,478,192)
Other comprehensive income for the year	-	-	(6,444)	(6,444)
Total comprehensive income for the year	-	(7,478,192)	(6,444)	(7,484,636)
Deficiency as at 30 June 2011	711,870,834	(729,962,026)	(9,164)	(18,100,356)

The consolidated statement of changes in equity is to be read in conjunction with the notes to these financial statements

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

The financial report covers the consolidated entity of Videlli Limited and controlled entities (together referred to as the consolidated entity or Group). Videlli Limited is a public company, incorporated and domiciled in Australia.

Registered Office
121-127 High Street
Pahran Victoria 3181
Telephone +61 3 9526 2300
Facsimile +61 3 9526 2433

Principal Place of Business
121-127 High Street
Pahran Victoria 3181

The following is a summary of the significant accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Statement of compliance -

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the group comply with International Financial Reporting Standards ('IFRS').

In the current year, the consolidated entity and company have adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of these new accounting standards are set out in the individual accounting policy notes set out below.

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by Videlli and its controlled entities for the annual reporting period ended 30 June 2012. The directors have not early adopted any of these new or amended standards or interpretations. The directors have not yet fully assessed the impact of these new or amended standards (to the extent relevant to the Group) and interpretations.

These Standards and Interpretations will be first adopted in the Financial Statements of the Consolidated Entity that relates to the annual reporting period beginning after the effective date of pronouncement, which in all cases will be the company's annual reporting period beginning on 1 July 2012. In addition to the standards issued above, other standards have been issued by the Australian Accounting Standards Board, these standards are not relevant to the operations of the Group.

The financial statements were authorised by the directors on 27th September 2012.

(b) Basis of preparation

The financial report has been prepared on the basis of historical costs, except for assets and liabilities of a disposal group as held for sale, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars, unless otherwise noted.

(c) Going Concern

As at 30 June 2012 the Group's net asset position is a deficiency of \$25,708,526, the major element being the remaining provision for costs of \$1,406,098 associated with the litigation in relation to the Sydney Integrated Ticketing System Project and the amounts drawdown to date under the funding agreement of \$24,421,394 (further detailed below).

The Group's ongoing commitments are of the following nature: a) operating expenditure for directors and compliance/regulatory activities and b) costs associated with the litigation in relation to the Sydney Integrated Ticketing System Project. In relation to the operating expenditure Videlli Limited has entered into an agreement with Vix Treasury Pty Ltd to financially support the Group with ongoing operational costs not part of the litigation funding agreement, known as the Administration Funding Agreement. This agreement is capped at \$450,000 and has a due date of 30 September 2013. Management considers this agreement sufficient for Videlli Limited's operational cost funding until 30 September 2013. Funds drawn under this agreement as at balance date is \$162,219.

Videlli and its subsidiary Integrated Transit Solutions Limited entered into a funding agreement with Vix Treasury Pty Ltd to fund the costs associated with the litigation in relation to the Sydney Integrated Ticketing System Project (litigation now settled as noted in this report). At 30 June 2011, this facility was \$16,047,000. On 5th September 2012, the funding facility was increased to \$26,010,916. At balance date, this facility retains an undrawn balance of \$1,589,522. The currently undrawn balance is considered sufficient to meet all future legal expenses to be incurred in relation to the litigation. Management regularly reviews the future costs expected against the undrawn facility balance and keeps the Directors informed via regular updates.

The Litigation Funding Agreement repayment due date is the earlier of:

- (a) 30 September 2013, or such other date as the Borrower and the Lender may agree in writing; or
- (b) at the option of the Lender, the date of demand, following the occurrence of an Event of Default.

Events of Default are defined in the Agreement as:

- (a) other default: if the Borrower fails to perform or observe any of the covenants or provisions of this deed on the part of the Borrower to be performed or observed;
- (b) Disposal of Assets: the Borrower disposes (save for deregistration) of any material asset (including any share in any subsidiary or other company irrespective of its cash value);
- (c) Change in Control: the Borrower experiences a change in Control as defined by section 50AA of the *Corporations Act*;
- (d) Resolution by member: any resolution put by a member is passed at a general meeting of the Borrower;
- (e) Resolution by Borrower: any resolution put by the Borrower to its members at a general meeting and that resolution is not passed;
- (f) Insolvency Event: if an Insolvency Event occurs in respect of the Borrower save in respect of the Funding Agreement;

Under the terms of the Litigation Funding Agreement, Vix Treasury Pty Ltd may, at its discretion by not less than 14 days written notice to Videlli, terminate its obligation to provide any further funding under this agreement. In the event that the funding agreement is terminated and alternative funding is not found, there is material uncertainty as to whether the Group will be able to continue as a going concern and therefore whether it would be able to extinguish its liabilities in the normal course of business and at amounts stated in the financial statements. The financial statements do not include adjustments, if any, relating to the recoverability and classification of recorded asset amounts or the amounts or classification of the liabilities that might be necessary should the Group not continue as a going concern. Vix Treasury Pty Ltd has provided no such written notice nor indication of intention to provide such written notice at the date of preparing this financial report.

Between balance date and the date of signing this financial report, litigation payments in excess of \$1,400,000 have been paid by Vix Treasury Pty Ltd, therefore, less than \$200,000 remains expected to be paid in future.

As a result of the above the Directors are of the opinion that it is appropriate for the financial report to be prepared on a going concern basis.

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(d) Basis of Consolidation

A list of controlled entities is contained in Note 17 to the financial statements. All controlled entities have a June financial year-end. A controlled entity is an entity in which Videlli Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

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

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority interests in the results of the entities that are controlled are shown as a separate item in the consolidated statement of comprehensive income. During the comparative financial year, all entities for which a minority interest was held, was disposed of. Minority interest, therefore, is nil as at the current and comparative balance dates.

(e) Borrowing Costs

Borrowing costs (and interest expense) are recognised as expenses in the year in which they are incurred.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(g) Financial Instruments

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 cost using the effective interest rate method less accumulated impairment.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Fair value

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

(h) Foreign Currency Transactions and Balances

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

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 exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the month in which the transaction occurred; and
- retained profits 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 consolidated statement of financial position and are included as an item of other comprehensive income in the consolidated statement of comprehensive income. These differences are recognised in the consolidated statement of comprehensive income in the period in which the operation is disposed.

(i) Income Tax

Current tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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.

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(i) Income Tax (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation

Videlli Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidation group under the Tax Consolidation Regime with effect from 30 June 2003. Videlli Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB112 Income Taxes.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company, Videlli Limited. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

(j) Provisions

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

Contract termination

A contract termination provision is recognised when the Group expects future cost obligations associated with the termination of a contract. The associated cost obligations can include: write-off of plant and equipment, inventory, property expenses (including make-good) and any litigation costs associated with the contract termination.

(k) Revenue

Other revenue

Interest revenue is recognised using the effective interest method on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

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

(l) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Debts which are known to be uncollectable are written off.

(m) Reserves

Foreign currency translation reserve

Exchange differences arising on translation of self-sustaining, foreign-controlled entities are taken to the foreign currency translation reserve as detailed in Note 1(h).

(n) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authorities, it is recognised as part of the cost of acquisition of the asset or as part of an item of expense;
- or
- for receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authorities is included as a current asset or liability in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of the cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(o) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described above, Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Provision For Contract Termination

During the financial year ending 30 June 2008, a provision was recognised in the financial statements for contract termination costs, including litigation costs. The amount provided for litigation costs was based on a quotation from the Group's external legal advisors and assumes that the litigation proceedings will complete with a decision made via the relevant court. The value of this provision is continually reviewed by management. As a result of these reviews, which was completed with assistance with regard to future cost estimates from the Group's external legal advisors, it has been established that a further provision was required during the current financial year. This increase to the provision is \$2,130,000, and when combined with the \$5,000,000 settlement as detailed in this financial report, totals to the line item "Litigation Legal Fees" & "Litigation Settlement Payment" in the Consolidated Statement of Comprehensive Income.

(p) Parent entity disclosures

In accordance with the Corporations Act 2001, these financial statements presents the results of the consolidated entity only. Supplementary information about the parent entity are disclosed in note 15.

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

		CONSOLIDATED	
		2012	2011
		\$	\$

2. REVENUE AND OTHER INCOME

Revenue			
Interest Income	4,675	4,862	
Other revenue	281,418	552,543	
	286,093	557,405	

3. LOSS FROM OPERATIONS

Loss before income tax has been arrived at after charging the following:

Finance Costs - Borrowing costs

external	(20,000)	(25,000)	
	(20,000)	(25,000)	

Finance Costs - Interest Expense

external	(180)	-	
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Total Finance Costs

	(20,180)	(25,000)	
--	-----------------	-----------------	--

Net Foreign Exchange Losses

Net foreign gains/ (losses) exchange differences	1,091	877	
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Loss before income tax has been arrived at after charging the following:

Employee Benefits Expense

Defined contribution plans	(16,582)	(16,445)	
Other employee benefits	(2,016)	(2,087)	
	(18,598)	(18,532)	

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

	CONSOLIDATED	
	2012	2011
	\$	\$

4. INCOME TAXES

Reconciliation between tax (benefit) / expense and pre-tax net loss

Loss before income tax from continuing operations	(7,609,785)	(7,478,192)
	(7,609,785)	(7,478,192)
Prima facie tax benefit on loss before income tax at 30% (2011: 30%)	(2,282,936)	(2,243,458)
From which is deducted the tax effect of:		
Current year temporary differences not brought to account	(927,934)	(26,264)
From which is added the tax effect of:		
Expenditure not deductible for income tax purposes	27,599	26,561
Current year tax losses not brought to account	3,183,270	2,243,161
	-	-
Recoupment of prior year tax losses not previously brought to account	-	-
Total tax expense	-	-

Unrecognised deferred tax assets

Unused tax losses for which no deferred tax asset has been recognised:

Tax losses - revenue	73,915,511	70,732,242
Tax losses - capital	20,747,796	20,747,796
	94,663,307	91,480,038

The benefit of these losses has not been brought to account as realisation is not probable. The benefit will only be obtained if:

- (a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised
- (b) the company continues to comply with the conditions for deductibility imposed by the law; and
- (c) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

5. TRADE AND OTHER RECEIVABLES

Current Receivables

Trade receivables	-	103,186
Other receivables	423,172	49,640
	423,172	152,826

6. OTHER ASSETS

Current other assets

Prepayments (i)	-	59,500
Other current assets	35,417	34,613
	35,417	94,113

(i) Prepayments at comparative balance date relate to legal costs prepaid and drawdown under the litigation funding agreement.

7. TRADE AND OTHER PAYABLES

Trade payables (i)	66,780	26,578
Other creditors and accruals	130,356	83,624
	197,136	110,202

(i) Terms of payment for trade payables range from 14-60 days from date of invoice.

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

	CONSOLIDATED	
	2012	2011
	\$	\$

8. BORROWINGS

Current borrowings

Secured other loans	-	13,988,809
Total current borrowings	-	13,988,809

Non current borrowings

Secured other loans (i)	24,583,613	-
Total non current borrowings	24,583,613	-

(i) Security for borrowings

Secured other loans at balance date::

* a first registered fixed and floating charge over the assets and undertakings of Videlli Limited, Integrated Transit Solutions Limited, Videlli Property Pty Ltd, Videlli Share Plan Pty Ltd and Videlli Card Systems Ltd;

* a guarantee given by Videlli Property Pty Ltd, Videlli Share Plan Pty Ltd and Videlli Card Systems Ltd;

Assets Pledged as Security

The Group's carrying amounts of assets pledged as security are:

Current Assets

Cash and cash equivalents	73,728	4,705
Trade and other receivables	423,172	152,826
Other assets	35,417	94,113
Total Assets Pledged as Security	532,317	251,644

9. PROVISIONS

Dividends	53,996	53,996
Contract termination	1,406,098	4,198,993
	1,460,094	4,252,989

Dividends	Contract termination	Total
\$	\$	\$

Movements in carrying amounts

Consolidated

Balance at 1 July 2011	53,996	4,198,993	4,252,989
Additional provisions recognised	-	7,130,000	7,130,000
Reductions arising from payments/ other sacrifices of future economic benefits	-	(9,922,895)	(9,922,895)
Balance at 30 June 2012	53,996	1,406,098	1,460,094

* Provision for contract termination represents future cost obligations associated with the termination of a contract, including all legal fees due. Any further costs past this date cannot be measured reliably and therefore have not been included in this provision.

Between balance date and the date of signing this financial report, Vix Treasury Pty Ltd paid \$1.272 million plus GST for litigation fees included in the provision for contract termination as at the current year balance date.

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

10. ISSUED CAPITAL

Movements in ordinary shares on issue:

	COMPANY			
	2012 Number	2011 Number	2012 \$	2011 \$
Opening balance	860,567,383	860,567,383	711,870,834	711,870,834
At reporting date	860,567,383	860,567,383	711,870,834	711,870,834

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Terms and condition of ordinary shares

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 shareholders has one vote on a show of hands.

11. DIVIDENDS

No dividends have been paid or proposed in respect of the current financial year.

	COMPANY	
	2012 \$	2011 \$
Adjusted franking account balance (tax paid basis)	1,161,000	1,161,000

12. SUBSEQUENT EVENTS

On 5 September 2012, Vix Treasury Pty Ltd and Videlli Limited agreed to:

- (a) extension of the Litigation Funding Agreement limit to \$26,010,916, and;
- (b) an Administrative Funding Agreement capped at \$450,000.

Please refer to note 1(c) of this financial report for details of the due dates for these agreements.

Between balance date and the date of signing this financial report, litigation payments in excess of \$1,400,000 have been paid by Vix Treasury Pty Ltd, therefore, less than \$200,000 remains expected to be paid in future.

Other than the items detailed above, no other matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results or state of affairs of Videlli Limited in subsequent periods.

	CONSOLIDATED	
	2012 \$	2011 \$

13. CASH FLOW INFORMATION

(a) Reconciliation of cash flow from operating activities for the year:

Loss after related income tax expense pre minority interests	(7,609,785)	(7,478,192)
<i>Non cash flows in profit from ordinary activities</i>		
Net (gain) / loss on foreign exchange transactions	1,176	-
<i>Changes in assets and liabilities</i>		
Increase in trade and other receivables	(270,007)	(51,780)
Increase in other assets	58,696	(52,845)
Decrease in trade and other payables	86,935	(454,104)
Increase/(decrease) in other liabilities	(2,792,894)	217,236
Net cash used in operating activities	(10,525,879)	(7,819,685)

(b) Loan facilities

Loan facilities (i)	26,460,916	16,047,000
Amount utilised	(24,583,613)	(13,988,809)
Loan facilities (overdrawn) / not utilised at balance date	1,877,303	2,058,191

(i) Subsequent to the current year balance date (on 5th September 2012), Videlli Ltd and Vix Treasury Pty Ltd, by mutual agreement:

- (a) amended the Litigation Funding Agreement by increasing the total facility amount by \$9,963,916, bringing the total loan facility as at 30 June 2012 to \$26,010,916, and;
- (b) agreed to an Administration Funding Agreement, capped at \$450,000, being for all operational costs other than the litigation legal costs covered by the Litigation Funding Agreement.

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

		CONSOLIDATED	
		2012	2011
		\$	\$

14. AUDITORS REMUNERATION

Amounts received or due and receivable by UHY Haines Norton (Australia):

Auditing and reviewing the financial report	28,500	31,000
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15. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

		COMPANY	
		2012	2011
		\$	\$

Loss for the year		(10,264,606)	(7,404,158)
Total comprehensive income for the year		(10,264,606)	(7,404,158)
Total current assets		495,097	215,097
Total assets		495,097	215,097
Total Current liabilities		246,488	137,009
Total liabilities		24,830,101	14,125,818
Net deficiency		(24,335,004)	(13,910,721)
Equity			
	Contributed equity	711,868,938	711,868,938
	Reserves	14,286,084	14,445,761
	Retained profits/(accumulated losses)	(750,490,026)	(740,225,420)
Total deficiency		(24,335,004)	(13,910,721)

Contingent Liabilities:

The parent entity, Videlli Limited, on 4 April 2008, joined its wholly owned subsidiary, Integrated Transit Solutions Ltd, as a second defendant in litigation proceedings filed by the Public Transport Ticketing Corporation of New South Wales ('PTTC'). This litigation was settled during the current financial year as detailed in this financial report.

Contingent Assets:

On 9 May 2008, Videlli Limited was added as a cross-claimant, along with Integrated Transit Solutions Ltd, in a counter-claim against the Public Transport Ticketing Corporation of New South Wales ('PTTC'). This litigation was settled during the current financial year as detailed in this financial report.

Bank guarantees

The parent entity held no bank guarantees, security deposits or bonds as at 30 June 2012 and 30 June 2011.

Capital commitments - Plant and Equipment

The parent entity currently holds no Plant and Equipment and has no current or foreseeable commitment to the purchase of any Plant and Equipment.

Accounting policies of the parent

The accounting policies of the parent entity are consistent with those of the consolidated entity.

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

16. FINANCIAL INSTRUMENTS

(A) Capital Risk Management

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 8 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity and note 10.

The Group operates primarily within Australia, with the exception of two predominantly dormant entities, one being in Germany and the other in Malaysia. Operating cashflows, along with debt facilities not yet drawn down, are used to meet the Group's routine outflows of tax and payables. The Group's primary source of funds are provided through the Litigation Funding Agreement.

The Group also protects its equity in assets by taking out insurance. There were no changes to the Group's and the company's approach to capital management during the financial year.

Gearing Ratio

Funds drawn during the current financial year under the Litigation Funding Agreement were \$10,432,585, bringing the total funds drawdown from this facility to \$24,421,394. This facility was increased subsequent to the current year balance date (on 5th September 2012) to \$26,010,916.

Funds drawn during the current financial year for the Administration Funding Agreement were \$162,219, bringing the total funds drawdown from this facility to \$162,219. This funding facility was signed subsequent to the current year balance date (on 5th September 2012, with a facility limit of \$450,000. Please refer to note 13(b) for further details.

During the comparative year, funds drawn under the litigation funding facility were \$7,386,370, bringing the total funds drawdown from this facility to \$13,988,809. The litigation funding facility was increased at 30 June 2011 to \$16,047,000.

CONSOLIDATED	
2012	2011
\$	\$

The gearing ratio at year end was as follows:

Debt (i)	24,583,613	13,988,809
Cash and cash equivalents	(73,728)	(4,705)
Net debt	24,509,885	13,984,104
Equity (i)	(25,708,526)	(18,100,356)
Net debt to equity ratio (ii)	(2045%)	(340%)

(i) Debt is defined as short and long term borrowings per note 8 and equity includes all capital and reserves per the consolidated statement of changes in equity.

(ii) Net Debt to Equity ratio is calculated as Net Debt / (Net Debt + Equity)

(B) Financial Risk Management

The Group's principal financial instruments comprise cash, receivables, payables and financial liabilities. Financial Liabilities include borrowings and other interest bearing liabilities. Risk's relevant to the Group include capital risk, interest rate risk, exchange rate risk, credit risk and liquidity risk.

The Group does not actively use derivative financial instruments to hedge against these risk and does not enter into the trading of derivative financial instruments for speculative purposes.

(i) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit exposure is controlled by counterparty limits that are reviewed annually. Trade receivables relates to one customer, invoiced in relation to rental income assigned to Videlli Limited under the Assignment of Rental Agreement between Videlli Limited and Vix Engineering Limited. During the current financial year, the one customer vacated the premises for which it was paying rent relating to this agreement.

The carrying amount of trade and other receivables recorded in the financial statements, net of any allowance for losses, represents the consolidated entity's and company's exposure to credit risk.

(ii) Liquidity Risk Management

Liquidity risk refers to the risk that the Group and the company will not be able to meet its financial obligations as they fall due. The Group and the company manages liquidity risk by maintaining adequate cash reserves, utilisation of existing borrowing facilities and continuous monitoring of actual and forecast.

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

16. FINANCIAL INSTRUMENTS continued

(B) Financial Risk Management continued

(ii) Liquidity Risk Management continued

At balance date the Group has undrawn credit facilities totalling \$1,877,303, being \$1,589,522 relating to the Litigation Funding Agreement and \$287,781 relating to the Administration Funding Agreement (30 June 2011 undrawn facilities of \$2,058,191) (refer to note 1 on page 10 of this Financial Report) .

The following tables detail the Group's and company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the earliest date on which the Group can be required to pay.

	Weighted Average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
	%	\$	\$	\$	\$	\$
Consolidated						
2012						
Non interest bearing		66,780	-	-	-	-
Interest bearing liabilities						
Fixed rate debt (i)	15.00	-	-	-	24,421,394	-
Fixed rate debt (i)	10.00	-	-	-	162,219	-
		66,780	-	-	24,583,613	-
2011						
Non interest bearing		26,578	-	-	-	-
Interest bearing liabilities						
Fixed rate debt (i)	15.00	-	-	-	13,988,809	-
		26,578	-	-	13,988,809	-

(i) At balance date, the drawdown and outstanding amounts from the Litigation Funding Agreement total \$24,421,394 (of the credit facility totalling \$26,010,916). The amounts outstanding attract a fixed rate of 15% interest payable from the date funds are drawdown.

At balance date, the drawdown and outstanding amounts from the Administration Funding Agreement total \$162,219 (of the credit facility totalling \$450,000). The amounts outstanding attract a fixed rate of 10% interest payable from the date funds are drawdown.

(ii) At the comparative balance date, the drawdown and outstanding amounts from the Litigation Funding Agreement total \$13,988,809 (of the credit facility totalling \$16,047,000). These amounts outstanding attract a fixed rate of 15% interest payable from the date funds are drawdown.

No interest has been accrued or paid as at current or comparative balance date for either funding agreement.

(iii) Interest Rate Risk Management

The Group has borrowings that attract only fixed interest rates. As a result of sustained trading losses and a consolidated statement of financial position with a net asset deficiency, the Group is not able to readily access capital markets in order to manage interest rate risk effectively.

CONSOLIDATED	
2012	2011
\$	\$

Summary of interest rate positions at balance date

The Group has interest rate risk on borrowings and the exposures at reporting date together with the interest rate risk management transactions are as follows:

(a) Interest payable

Principal amounts of all interest bearing liabilities:

Borrowings	24,583,613	13,988,809
	24,583,613	13,988,809

Principal amounts of fixed interest rate liabilities:

Borrowings	24,583,613	13,988,809
	24,583,613	13,988,809

Interest rate sensitivity analysis - interest payable

At balance date the Group has interest bearing liabilities of \$24,583,613 (\$162,219 exposed to a fixed interest rate of 10% and \$24,421,294 exposed to a fixed interest rate of 15%. (2011: 100% or \$13,988,809 exposed to a fixed interest rate of 15% on outstanding amounts). Please refer to notes 1(c) and 13(b) for details of the litigation and administration funding agreements.

No interest has been accrued or paid as at current or comparative balance date.

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

16. FINANCIAL INSTRUMENTS continued

(B) Financial Risk Management continued

(iii) Interest Rate Risk Management continued

(b) Interest receivable

Interest rate sensitivity analysis - interest receivable

At the current and comparative year's balance dates, nil interest bearing receivables were held.

(iv) Exchange Rate Risk Management

The Group is exposed to foreign exchange rate risk via translation risk and transactional risk.

Translation risk relates to the translation of the Group foreign subsidiaries Balance Sheet with movements recognised on consolidation in the Group's foreign currency translation reserve. Transactional risk relates individual transactions undertaken by entities within the Group in a currency other than the entity's underlying currency. Movements in foreign currency exchange rates that occur between the underlying currency and the nominated transaction currency are recognised in the consolidated statement of comprehensive income as realised foreign exchange gains or losses.

The Group does not enter into derivative financial instruments to manage its exposure to foreign exchange risk and does not enter into or trade in financial instruments for speculative purposes.

At balance date, the Group's balance sheet has immaterial balances stated in currencies other than Australian Dollars.

Exchange rate sensitivity analysis

As a result of the disposal during the comparative financial year, immaterial amounts are held in currencies other the Australian Dollars. Therefore, at the current and comparative balance dates, exchange rate exposure is immaterial.

CONSOLIDATED	
2012	2011
\$	\$

(C) Categories of Financial Instruments

Consolidated Assets

Cash and cash equivalents	73,728	4,705
Trade receivables (i)	423,172	152,826

Consolidated liabilities

Payables	(197,136)	(110,202)
Interest bearing liabilities		
Fixed rate debt	(24,583,613)	(13,988,809)
	(24,283,849)	(13,941,480)

(i) Trade receivables includes trade debtors outstanding as at balance date, net of provision for impairment of receivables.

Fair Value of Financial Instruments

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

The fair values of financial assets and financial liabilities are as follows:

* The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

* The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cashflow analysis.

(D) Significant Accounting Policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

17. INVESTMENTS IN CONTROLLED ENTITIES

Name	Country Of Incorporation	Ownership Interest	
		2012	2011
		%	%

Parent Entity:

Videlli Limited	Australia
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Controlled entities:

Videlli Share Plan Pty Ltd	Australia	100	100
Videlli Property Pty Ltd	Australia	100	100
The Energy Research Group Unit Trust	Australia	100	100
Videlli Transit Systems (Ger) GmbH	Germany	100	100
Integrated Transit Solutions Ltd	Australia	100	100
Videlli Card Systems Ltd	Australia	100	100
which has the controlled entities:			
Triumphant Launch Sdn Bhd	Malaysia	100	100

Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgment of financial reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001.

The subsidiaries subject to the Deed as at the current balance date were Videlli Card Systems (Aust) Ltd, Videlli Property Pty Ltd in its own right and as trustee for The Energy Research Group Unit Trust.

CLOSED GROUP	
2012	2011
\$	\$

Set out below is a consolidated statement of comprehensive income at 30 June 2012 of the Closed Group and represents the entities subject to the Deed of Cross-Guarantee.

Deed of Cross Guarantee - Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

Loss before income tax	(10,424,283)	(7,016,569)
Income tax expense	-	-
Net loss for year	(10,424,283)	(7,016,569)

Deed of Cross Guarantee - Accumulated Losses

Accumulated losses at the beginning of the year	(743,216,260)	(736,199,691)
Net loss for year	(10,424,283)	(7,016,569)
Accumulated losses at the end of the year	(753,640,543)	(743,216,260)

Deed of Cross Guarantee - Consolidated statement of financial position

Current assets

Cash and cash equivalents	71,925	2,771
Trade and other receivables	423,172	152,826
Other assets	-	59,500
Total current assets	495,097	215,097
Total assets	495,097	215,097

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

17. INVESTMENTS IN CONTROLLED ENTITIES continued

CLOSED GROUP	
2012	2011
\$	\$

Deed of Cross Guarantee - Consolidated statement of financial position

Current liabilities

Trade and other payables	192,492	83,013
Short-term borrowings	-	13,988,809
Provisions	53,996	53,996
	246,488	14,125,818

Liabilities of a disposal group held for sale

Total current liabilities	246,488	14,125,818
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Non current liabilities

Long-term borrowings	24,583,613	-
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Total liabilities	24,830,101	14,125,818
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Net (deficiency) / assets	(24,335,004)	(13,910,721)
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Equity

Issued capital	711,868,938	711,868,938
Reserves	17,436,601	17,436,601
Accumulated losses	(753,640,543)	(743,216,260)

Total (deficiency) / equity	(24,335,004)	(13,910,721)
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18. KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel

Key Management Personnel ("KMP") are those persons having authority and responsibility for planning, directing and controlling the activities of the Videlli Group. All non-executive directors of Videlli Limited are Key Management Personnel of Videlli Limited and the consolidated entity. The following directors are considered key management personnel for the entire period.

Directors

Names	Position
C J Henson	Non-Executive Director and Chairman
D P Saville	Non-Executive Director
M O Clarey	Non-Executive Director

The aggregate compensation made to key management personnel of the Group is set out below:

	CONSOLIDATED	
	2012	2011
	\$	\$
Short-term employee benefits	183,486	183,486
Post-employment benefits	16,583	16,445
	200,069	199,931

The compensation of each member of the key management personnel of the Group for the current financial year is set out below:

	Short Term		Post Employment		Other	Total
	Salary & Fees	Bonus STI	Non Monetary (i)	Super-annuation		
	\$	\$	\$	\$	\$	\$
C J Henson	114,679	-	-	10,321	-	125,000
M O Clarey	68,807	-	-	6,262	-	75,069
Total Non Executive Directors	183,486	-	-	16,583	-	200,069
Total	183,486	-	-	16,583	-	200,069

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

18. KEY MANAGEMENT PERSONNEL COMPENSATION continued

Payments to Directors and Key Management Personnel continued

The compensation of each member of the key management personnel of the Group for the comparative financial year is set out below:

	Short Term		Post Employment		Other	Total
	Salary & Fees	Bonus STI	Non Monetary (i)	Super-annuation	Termination Payments	
	\$	\$	\$	\$	\$	\$
C J Henson	114,679	-	-	10,321	-	125,000
M O Clarey	68,807	-	-	6,124	-	74,931
Total Non Executive Directors	183,486	-	-	16,445	-	199,931
Total	183,486	-	-	16,445	-	199,931

Shareholdings

Movement in the number of shares held by executive directors during the financial year

	Opening Balance	Received as Remuneration	Options Exercised	Closing Balance (Resigned) Directors	Purchase / (Disposal) of Shares	Closing Balance Current Directors
C J Henson	200,000	-	-	-	-	200,000
D P Saville	15,706,423	-	-	-	-	15,706,423
M O Clarey	105,000	-	-	-	-	105,000
	16,011,423	-	-	-	-	16,011,423

Movement in the number of shares held by executive and non executive directors during the comparative financial year

	Opening Balance	Received as Remuneration	Options Exercised	Closing Balance (Resigned) Directors	Purchase / (Disposal) of Shares	Closing Balance Current Directors
C J Henson	200,000	-	-	-	-	200,000
D P Saville	15,706,423	-	-	-	-	15,706,423
M O Clarey	105,000	-	-	-	-	105,000
	16,011,423	-	-	-	-	16,011,423

Options and Rights Holdings

Nil options and rights holdings were held during the current or comparative financial years by any director.

Other Transactions with Directors

On the 5th March 2009 (during a previous financial year) and as a part of the Videlli restructure, Videlli and its subsidiary Integrated Transit Solutions Limited entered into a funding agreement with Vix Treasury Pty Ltd (an Ingot related entity) to fund the costs associated with the litigation in relation to the Sydney Integrated Ticketing System Project.

The balance outstanding at the current balance date in relation to this funding facility is \$24,421,394 and at the comparative balance date was \$13,988,809. Included in the facility is the \$5,000,000 settlement amount. The interest applicable to these borrowings was 15% per annum payable at the point in time that Videlli is obliged to satisfy all amounts outstanding under this facility. Nil interest was paid nor accrued in relation to this facility during the current or comparative financial years. Funds drawn during the current financial year were \$10,432,585, bringing the total funds drawdown from the litigation funding facility to \$24,421,394.

On 5 September 2012, Videlli Limited entered into an Administration Funding Agreement. At balance date, \$162,219 has been drawn in relation to this agreement. Costs under this agreement are capped at \$450,000 from signing date of 5 September 2012 until the due date 30 September 2013. Facility is available to Videlli Limited in respect of all costs not covered by the Litigation Funding Agreement (see above).

Insurance services were supplied by an entity related to Mr D P Saville for the amount of \$133,792 (2011: \$130,000).

Videlli Limited and its Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2012

19. RELATED PARTY TRANSACTIONS

Transactions within the Wholly Owned Group

The consolidated financial statements include the financial statements of Videlli Limited and the controlled entities listed in Note 17.

Videlli Limited is the ultimate parent entity. Transactions between Videlli and related parties in the wholly owned Group during the years ended 30 June 2012 and 30 June 2011 consisted of:

- loans advanced;
- loans repaid;
- management fees and rent;
- sales of product and services;
- reimbursement for disbursements, sundry costs, contract settlement and warranty work;
- purchase of goods and services;
- sale and transfer of intellectual property licences within the consolidated entity;
- transfer of research and development expenditure; and
- restructure of loans to and from controlled entities within the consolidated entity resulting in the forgiveness and write-off of loans.

The transactions between Videlli Limited and related parties in the wholly owned Group were made on commercial terms and conditions or at cost, except that there are no fixed terms and generally no interest terms for the repayment of loans advanced by Videlli Limited or within the wholly owned Group.

Transactions with Directors

Refer to Note 18.

Transactions with Associated Corporations

All transactions with associated corporations are made on commercial terms and conditions. Other than the funds drawn under the:

- (a) the Litigation Funding Agreement which attract a 15% interest on amounts drawn; and
- (b) the Administration Funding Agreement which attracts a 10% interest on amounts drawn;

there are no fixed terms and generally no interest terms for the repayment of loans advanced by Videlli or within the wholly owned Group.

20. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

(a) Contingent assets

Sydney Integrated Ticketing System Project (Tcard)

The litigation proceedings disclosed as a contingent asset at 30 June 2011 has now been resolved and the information relating to the resolution of this matter is contained in the Directors Report to this financial report.

(b) Contingent liabilities

Sydney Integrated Ticketing System Project (Tcard)

The litigation proceedings disclosed as a contingent liability at 30 June 2011 has now been resolved and the information relating to the resolution of this matter is contained in the Directors Report to this financial report.

Videlli Limited and its Controlled Entities

Directors' Declaration

For the Year Ended 30 June 2012

DIRECTORS' DECLARATION

The directors of the Company declare that:

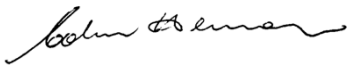
1. the financial statements and notes, as set out on pages 10 to 25, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Company and the consolidated entity;
2. the directors have been given the declarations required by s.295A of the Corporations Act 2001;
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.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor the payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 17 to the financial statements, will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors



C J Henson

Dated: 27th September 2012, Sydney, New South Wales

Independent Auditor's Report

To the members of Videlli Limited

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company'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.

Opinion

In our opinion:

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

- i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

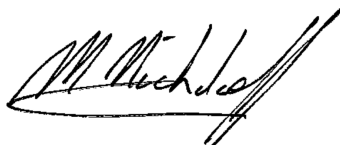
(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

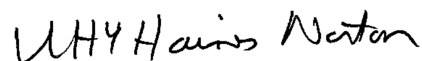
Without qualifying our conclusion, we draw attention to Note 1(c) "Going Concern" in the financial report, which indicates that the consolidated entity net liability position as at 30 June 2012 is \$25,708,526, the major element being the remaining provision of \$1,406,098 in relation to the litigation associated with the Sydney Integrated Ticketing System Project and the amounts drawn down as at 30 June 2012 of \$24,421,394 under the litigation funding agreement provided by Vix Treasury Pty Ltd. The litigation funding agreement repayment due date is the earlier of the following:

- (a) 30 September 2013, or such other date as the Borrower and Lender may agree in writing; or
- (b) at the option of the Lender, the date of demand, following the occurrence of an Event of Default.

These conditions along with other matters set forth in Note 1(c) "Going Concern" give rise to a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern, and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



M. D. Nicholaeff
Partner
Sydney
27th September 2012



UHY Haines Norton
Chartered Accountants

Videlli Limited and its Controlled Entities

INVESTOR INFORMATION

Shareholder Enquiries

Shareholders seeking information regarding their shareholdings should contact the Company's share registry:

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's Terrace
Perth Western Australia 6000
Telephone 1300 557 010
International +61 3 9415 4000
Facsimile +61 8 9323 2033
Website www.computershare.com
Email web.queries@computershare.com.au

Each enquiry should refer to the Security Number which is shown on the share certificates.

Change of Address

If you change your address, please notify the share registry in writing as soon as possible, quoting your Security Number and your old address for security purposes.

Change of Name

Shareholders who have changed their name should notify the share registry in writing attaching a copy of the relevant marriage certificate or deed poll.

Tax File Number

The Company is obliged to deduct tax from dividend payments to shareholders registered in Australia who have not quoted their tax file number (TFN) to the Company. If you have not already quoted your TFN, you may do so by contacting the share registry.