videlli

**ABN 23 009 112 725**

**Financial Report**

**For the Year Ended 30 June 2013**

## Videlli Limited and its Controlled Entities

Financial Year Ended 30 June 2013

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**Directors' Report**

For the Year Ended 30 June 2013

The Directors present their report on the consolidated entity consisting of Videlli Limited and its controlled entities ('Videlli') for the year ended 30 June 2013. 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 maintain regulatory compliance.

### Company Secretary

**Angelo Bartzis**

Mr Bartzis was appointed company secretary on 3 April 2013 and held the position of company secretary for the duration of the year ended 30 June 2013, responsible for managing all company secretarial matters.

Mr Bartzis has a Master of Laws, is a corporate legal practitioner in the State of Victoria and is on the roll of practitioners of the Supreme Court of England & Wales, United Kingdom. Mr Bartzis has been with Videlli since 2008.

**Simon Davey**

Mr Davey held the position of company secretary until 3 April 2013, 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. Mr Davey was succeeded in this position by Mr Angelo Bartzis.

## 2. BUSINESS REVIEW

### Operating Results

The consolidated profit after income tax and minority interest for the year, attributable to members of Videlli was $4,559,342 (2012: $7,609,785 loss).

The result for the current financial year is materially driven by the revaluation of a financial asset during the current financial year. This financial asset was also sold during the current financial year. Please see note 1c on page 10 for further details.

### Dividends Paid or Recommended

No dividends were paid or declared for the year ended 30 June 2013 (2012: 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.

### 2. BUSINESS REVIEW continued

**Employees**

Nil employees remain as at 30 June 2013 (2012: nil).

### 3. DIRECTOR INFORMATION

**Information on Directors**

| | |
|---|---|
| **C J HENSON** | Chairman, Independent Non-Executive Director : Aged 65 |
| **Qualifications** | FCPA, 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 56 |
| **Qualifications** | BCom (Hons), BSc (Hons), FCA, FFin |
| **Experience** | Mr Saville is an experienced director. He is the principal of a funds management group, ICM Ltd. |
| **M O CLAREY** | Independent Non-Executive Director : Aged 66 |
| **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, five (5) 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 | 5 | 5 | 2 | 2 | - | - |
| D P Saville | 5 | 3 | 2 | 2 | - | - |
| M O Clarey | 5 | 5 | 2 | 2 | - | - |

### 4. OTHER ITEMS

**Changes in State of Affairs**

Other than the events detailed in note 12 of this financial report, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

**Subsequent events**

On 26 September 2013, Vix Treasury Pty Ltd and Videlli Limited agreed to the:
(a) Increase of the Administration Funding Agreement facility limit from $450,000 to $575,000, and;
(b) Extension of the due date of the Litigation Funding and Administration Funding agreements to 15 March 2015.

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 2013 can be found on page 5 of the financial report.

## 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: 26th September 2013, Sydney, New South Wales

UHY Haines Norton
Chartered Accountants

**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 2013, 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.

UHY Haines Norton

**Mark Nicholaeff**
**Partner**
**Signed at Sydney**
**On 26th September 2013**

**UHY Haines Norton**
**Chartered Accountants**

## Videlli Limited and its Controlled Entities

**Consolidated statement of profit or loss and other comprehensive income**
For the Year Ended 30 June 2013

| | Note | CONSOLIDATED 2013 $ | 2012 $ |
|---|---|---|---|
| Revenue | 2 | **2,392** | 286,093 |
| **Total** | | **2,392** | 286,093 |
| Employee benefits expense | 3 | **(20,458)** | (18,598) |
| Other labour and consulting costs | | **(149,847)** | (183,486) |
| Finance costs | 3 | **(20,281)** | (20,180) |
| Litigation legal fees | | **-** | (2,130,000) |
| Litigation settlement payment | | **-** | (5,000,000) |
| Directors & Officers Insurance | | **(100,042)** | (133,792) |
| Net gain on revaluation of financial assets ^ | | **5,000,000** | - |
| Share Registry Costs | | **(64,840)** | (75,686) |
| Other expenses | | **(87,582)** | (334,136) |
| Profit / (Loss) before income tax | | **4,559,342** | (7,609,785) |
| Income tax benefit | 4 | **-** | - |
| **Profit / (Loss) after income tax** | | **4,559,342** | (7,609,785) |
| **Net profit / (loss) for the year** | | **4,559,342** | (7,609,785) |
| **Other comprehensive income** | | | |
| Exchange differences on translating foreign operations | | **3,933** | 1,615 |
| **Other comprehensive income for the year, net of tax** | | **3,933** | 1,615 |
| **Total comprehensive income / (loss) for the year** | | **4,563,275** | (7,608,170) |
| **Profit / (Loss) for the year is attributable to:** | | | |
| - Members of parent entity | | **4,559,342** | (7,609,785) |
| **Total comprehensive income / (loss) for the year is attributable to:** | | | |
| - Members of parent entity | | **4,563,275** | (7,608,170) |

^ The revaluation of financial asset relates to the Group's investment of 1 ordinary sale in Vix Mobility Pty Ltd, which was revalued from nil to $5.000 million during the current financial year. This investment was then disposed of for consideration of $5.000 million during the current financial year.

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 2013

| | Note | CONSOLIDATED 2013 $ | 2012 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **9,884** | 73,728 |
| Trade and other receivables | **5** | **94,674** | 423,172 |
| Other assets | **6** | **40,694** | 35,417 |
| **TOTAL ASSETS** | | **145,252** | 532,317 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | **7** | **159,125** | 197,136 |
| Provisions | **9** | **-** | 1,460,094 |
| **Total current liabilities** | | **159,125** | 1,657,230 |
| **Non-current liabilities** | | | |
| Borrowings | **8** | **21,131,378** | 24,583,613 |
| **TOTAL LIABILITIES** | | **21,290,503** | 26,240,843 |
| **NET DEFICIENCY** | | **(21,145,251)** | (25,708,526) |
| **EQUITY** | | | |
| Issued capital | **10** | **711,870,834** | 711,870,834 |
| Reserves | | **(3,616)** | (7,549) |
| Accumulated losses | | **(733,012,469)** | (737,571,811) |
| **TOTAL DEFICIENCY** | | **(21,145,251)** | (25,708,526) |

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 2013

| | Note | CONSOLIDATED 2013 $ | 2012 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **-** | 384,604 |
| Payments to suppliers and employees | | **(1,593,492)** | (10,894,978) |
| **Cash used in operations** | | **(1,593,492)** | (10,510,374) |
| Interest received | | **2,392** | 4,675 |
| Finance costs | | **(20,281)** | (20,180) |
| **Net cash used in operating activities** | **13** | **(1,611,381)** | (10,525,879) |
| **Cash flows from financing activities** | | | |
| Proceeds from sale of investments | **1(c)** | **5,000,000** | - |
| Proceeds from borrowings | | **1,547,765** | 10,594,804 |
| Repayment of borrowings | **1(c)** | **(5,000,000)** | - |
| **Net cash provided by financing activities** | | **1,547,765** | 10,594,804 |
| **Net increase / (decrease) in cash and cash equivalents** | | **(63,616)** | 68,925 |
| Cash and cash equivalents at the beginning of the financial year | | **73,728** | 4,705 |
| Effect of exchange rate fluctuations on cash held in foreign currencies | | **(228)** | 98 |
| **Cash and cash equivalents at the end of the financial year** | | **9,884** | 73,728 |

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 2013

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | **Issued capital** | **Accumulated Losses** | **Foreign Currency Translation Reserve** | **Total** |
| | **$** | **$** | **$** | **$** |
| Balance as at 1 July 2012 | **711,870,834** | **(737,571,811)** | **(7,549)** | **(25,708,526)** |
| **Changes** | | | | |
| Net profit for the year | **-** | **4,559,342** | **-** | **4,559,342** |
| Other comprehensive income for the year | **-** | **-** | **3,933** | **3,933** |
| **Total comprehensive income for the year** | **-** | **4,559,342** | **3,933** | **4,563,275** |
| **Deficiency as at 30 June 2013** | **711,870,834** | **(733,012,469)** | **(3,616)** | **(21,145,251)** |
| 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) |

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

### 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.

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Level 16, 380 Latrobe St,
Melbourne, Victoria, 3000.
Telephone +61 3 9079 2008
Facsimile +61 3 9602 4927

Principal Place of Business
247 Balcatta Rd,
Balcatta, WA, 6021

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 2013. 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 2013. 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 26th September 2013.

**(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 2013 the Group's net asset position is a deficiency of $21,145,251, the major element being amounts owing at balance date under the Litigation and Administration Funding Agreements.

The Group's ongoing commitments relate to operating expenditure for directors and compliance/regulatory activities. In relation to this 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 $575,000 with a due date of 15 March 2015. Management considers this agreement sufficient for Videlli Limited's operational cost funding until at least 30 September 2014. Funds drawn under this agreement as at balance date are $298,719.

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 a legal matter, which is now fully settled. During the year, $1,411,265 was drawn under this Agreement in order to make payment of final costs. During the year, Videlli Ltd paid $5,000,000 of the balance owing under this Agreement back to Vix Treasury, utilising funds received via the sale of its 1 ordinary share investment in Vix Mobility Pty Ltd.

The Litigation Funding Agreement repayment due date is the earlier of:
(a) 15 March 2015, 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, nil payments have been made via the Litigation Funding Agreement.

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.

### 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 consistencies 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.

### 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.

## 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. This provision was brought to nil during the current financial year and no further litigation legal expenses are expected to be received.

**(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.

| | CONSOLIDATED | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |

### 2. REVENUE AND OTHER INCOME

| | | |
|---|---|---|
| **Revenue** | | |
| Interest Income | **2,392** | 4,675 |
| Other revenue | **-** | 281,418 |
| | **2,392** | 557,405 |

### 3. LOSS FROM OPERATIONS

| | | |
|---|---|---|
| **Loss before income tax has been arrived at after charging the following:** | | |
| **Finance Costs - Borrowing costs** | | |
| external | **(20,265)** | (20,000) |
| | **(20,265)** | (20,000) |
| **Finance Costs - Interest Expense** | | |
| external | **(16)** | (180) |
| **Total Finance Costs** | | |
| | **(20,281)** | (20,180) |
| **Net Foreign Exchange Losses** | | |
| Net foreign gains/ (losses) exchange differences | **(3,004)** | 1,176 |
| **Loss before income tax has been arrived at after charging the following:** | | |
| **Employee Benefits Expense** | | |
| Defined contribution plans | **(14,037)** | (16,582) |
| Other employee benefits | **(6,421)** | (2,016) |
| | **(20,458)** | (18,598) |

| | CONSOLIDATED | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |

## 4. INCOME TAXES

| | | |
|---|---|---|
| **Reconciliation between tax (benefit) / expense and pre-tax net loss** | | |
| Loss before income tax from continuing operations | **(440,658)** | (7,609,785) |
| Net gain on revaluation of financial assets | **5,000,000** | - |
| | **4,559,342** | (7,609,785) |
| Prima facie tax benefit on loss before income tax at 30% (2011: 30%) | **1,367,803** | (2,282,936) |
| **From which is deducted the tax effect of:** | | |
| Current year temporary differences not brought to account | **(496,472)** | (927,934) |
| **From which is added the tax effect of:** | | |
| Expenditure not deductible for income tax purposes | **41,247** | 27,599 |
| Prior Year Tax losses recouped | **(1,500,000)** | - |
| Current year tax losses not brought to account | **587,422** | 3,183,270 |
| | **-** | - |
| 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 | **74,502,932** | 73,915,511 |
| Tax losses - capital | **19,247,796** | 20,747,796 |
| | **93,750,728** | 94,663,307 |

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** | | |
| Other receivables | **94,674** | 423,172 |
| | **94,674** | 423,172 |

## 6. OTHER ASSETS

| | | |
|---|---|---|
| **Current other assets** | | |
| Other current assets | **40,694** | 35,417 |
| | **40,694** | 35,417 |

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

## 7. TRADE AND OTHER PAYABLES

| | | |
|---|---|---|
| Trade payables (i) | **60,382** | 66,780 |
| Other creditors and accruals | **98,743** | 130,356 |
| | **159,125** | 197,136 |

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

| | CONSOLIDATED | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |

## 8. BORROWINGS

| | | |
|---|---|---|
| **Non current borrowings** | | |
| Secured other loans (i) | **21,131,378** | 24,583,613 |
| **Total non current borrowings** | **21,131,378** | 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;

Borrowings at balance date include $298,719 owing under the Administration Funding Agreement (2012: $162,219) and $20,832,659 owing under the Litigation Funding Agreement (2012: $24,421,394). Due dates for both amounts owing is 15 March 2015.

**Assets Pledged as Security**

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

| | | |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | **9,884** | 73,728 |
| Trade and other receivables | **94,674** | 423,172 |
| Other assets | **40,694** | 35,417 |
| **Total Assets Pledged as Security** | **145,252** | 532,317 |

## 9. PROVISIONS

| | | |
|---|---|---|
| Dividends | **-** | 53,996 |
| Contract termination | **-** | 1,406,098 |
| | **-** | 1,460,094 |

| | Dividends | Contract termination | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Movements in carrying amounts** | | | |
| **Consolidated** | | | |
| Balance at 1 July 2012 | 53,996 | 1,406,098 | 1,460,094 |
| Reductions arising from payments/ other sacrifices of future economic benefits | (53,996) | (1,406,098) | (1,460,094) |
| **Balance at 30 June 2013** | **-** | **-** | **-** |

* Provision for contract termination repesents future cost obligations associated with the termination of a contract, including all legal fees due. Final costs were paid during the financial year in relation to this provision.

## 10. ISSUED CAPITAL

| | COMPANY | | | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **Number** | Number | **$** | $ |
| **Movements in ordinary shares on issue:** | | | | |
| 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 | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| Adjusted franking account balance (tax paid basis) | **1,161,000** | 1,161,000 |

## 12. SUBSEQUENT EVENTS

On 26 September 2013, Vix Treasury Pty Ltd and Videlli Limited agreed to:
(a) An extension of the due date in relation to funds owing under the Litigation Funding Agreement to 15 March 2015, and;
(b) An extension of the due date in relation to funds owing under the Administration Funding Agreement to 15 March 2015, and;
(c) An increase in the facility limit available to Videlli Ltd under the Administration Funding Agreement by $125,000 to $575,000.

Between balance date and the date of signing this financial report, nil payments have been made under the above funding 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.

## 13. CASH FLOW INFORMATION

| | CONSOLIDATED | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| **(a) Reconciliation of cash flow from operating activities for the year:** | | |
| Profit / (Loss) after related income tax expense pre minority interests | **4,559,342** | (7,609,785) |
| *Non cash flows in profit / (loss) from ordinary activities* | | |
| Net gain on revaluation of financial assets | **(5,000,000)** | - |
| Net (gain) / loss on foreign exchange transactions | **3,004** | 1,176 |
| *Changes in assets and liabilities* | | |
| (Increase) / Decrease in trade and other receivables | **330,263** | (270,007) |
| (Increase) / Decrease in other assets | **(4,453)** | 58,696 |
| Increase / (Decrease) in trade and other payables | **(39,021)** | 86,935 |
| Increase / (Decrease) in other liabilities | **(1,460,516)** | (2,792,894) |
| **Net cash used in operating activities** | **(1,611,381)** | (10,525,879) |
| **(b) Loan facilities** | | |
| Loan facilities (i) | **26,460,916** | 26,460,916 |
| Amount utilised | **(21,131,378)** | (24,583,613) |
| **Loan facilities (overdrawn) / not utilised at balance date** | **5,329,538** | 1,877,303 |

(i) See the due dates and facility limits relating to these loans in note 12 above.

| | CONSOLIDATED | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |

## 14. AUDITORS REMUNERATION

| | | |
|---|---|---|
| Amounts received or due and receivable by UHY Haines Norton (Australia): | | |
| Auditing and reviewing the financial report | **20,000** | 28,500 |

## 15. PARENT ENTITY INFORMATION

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

| | COMPANY | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| Profit / (Loss) for the year | **4,600,012** | (10,264,606) |
| Total comprehensive income for the year | **4,600,012** | (10,264,606) |
| Total current assets | **8,324** | 495,097 |
| Total assets | **8,324** | 495,097 |
| Total Current liabilities | **65,789** | 246,488 |
| Total liabilities | **21,197,167** | 24,830,101 |
| Net deficiency | **(21,188,843)** | (24,335,004) |
| Equity | | |
| Contributed equity | **711,868,938** | 711,868,938 |
| Reserves | **12,832,233** | 14,286,084 |
| Retained profits/(accumulated losses) | **(745,890,014)** | (750,490,026) |
| Total deficiency | **(21,188,843)** | (24,335,004) |

**Bank guarantees**
The parent entity held no bank guarantees, security deposits or bonds as at 30 June 2013 and 30 June 2012.

**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.

## 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 ouflows of tax and payables. The Group's primary source of funds are provided through the Admiistration 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 $1,411,265, bringing the total funds drawndown from this facility to $25,832,659. Repayments made during the financial year were $5,000,000.

Funds drawn during the current financial year for the Administration Funding Agreement were $136,500, bringing the total funds drawndown from this facility to $298,719.

During the comparative year, funds drawn under the litigation funding facility were $10,432,585, bringing the total funds drawndown from this facility to $24,421,394. This facility was increased subsequent to the comparative year balance date (on 5th September 2012) to $26,010,916.

| | CONSOLIDATED | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| The gearing ratio at year end was as follows: | | |
| Debt (i) | **21,131,378** | **24,583,613** |
| Cash and cash equivalents | **(9,884)** | **(73,728)** |
| Net debt | **21,121,494** | **24,509,885** |
| Equity (i) | **(21,145,251)** | **(25,708,526)** |
| Net debt to equity ratio (ii) | **(88906%)** | **(2045%)** |

(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 liabiltiies. 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.

## 16. FINANCIAL INSTRUMENTS continued

**(B) Financial Risk Management continued**

**(ii) Liquidity Risk Management continued**

At balance date the Group has undrawn credit facilities totalling $5,329,538, being $5,178,257 relating to the Litigation Funding Agreement and $151,281 relating to the Administration Funding Agreement (30 June 2012 undrawn facilities of $1,877,303) (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** | | | | | | |
| **2013** | | | | | | |
| Non interest bearing | | 62,384 | - | - | - | - |
| Interest bearing liabilities | | | | | | |
| Fixed rate debt (i) | 15.00 | - | - | - | 20,832,659 | - |
| Fixed rate debt (i) | 10.00 | - | - | - | 298,719 | - |
| | | **62,384** | **-** | **-** | **21,131,378** | **-** |
| **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** | **-** |

(i) See details of amounts owing and facility limits available at the top of this note.

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 | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| **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 | **21,131,378** | 24,583,613 |
| | **21,131,378** | 24,583,613 |
| **Principal amounts of fixed interest rate liabilities:** | | |
| Borrowings | **21,131,378** | 24,583,613 |
| | **21,131,378** | 24,583,613 |

**Interest rate sensitivity analysis - interest payable**

At balance date the Group has interest bearing liabilities of $21,131,378 ($298,719 exposed to a fixed interest rate of 10% and $20,832,659 exposed to a fixed interest rate of 15%. (2012: $24,583,613 ($162,219 exposed to a fixed interest rate of 10% and $24,421,394 exposed to a fixed interest rate of 15%).

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

## 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 entitties 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 | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| **(C) Categories of Financial Instruments** | | |
| **Consolidated Assets** | | |
| Cash and cash equivalents | **9,884** | 73,728 |
| Trade receivables (i) | **94,674** | 423,172 |
| **Consolidated liabilities** | | |
| Payables | **(159,125)** | (197,136) |
| Interest bearing liabilities | | |
| Fixed rate debt | **(21,131,378)** | (24,583,613) |
| | **(21,185,945)** | (24,283,849) |

(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.

## 17. INVESTMENTS IN CONTROLLED ENTITIES

| Name | Country Of Incorporation | Ownership Interest 2013 % | 2012 % |
|---|---|---|---|
| **Parent Entity:** | | | |
| Videlli Limited | Australia | | |
| **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 2013 $ | 2012 $ |
|---|---|---|
| Set out below is a consolidated statement of comprehensive income at 30 June 2013 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 | | |
| Profit / (Loss) before income tax | **3,146,163** | (10,424,283) |
| Income tax expense | **-** | - |
| **Net loss for year** | **3,146,163** | (10,424,283) |
| **Deed of Cross Guarantee - Accumulated Losses** | | |
| Accumulated losses at the beginning of the year | **(753,640,543)** | (743,216,260) |
| Net profit / (loss) for year | **3,146,163** | (10,424,283) |
| **Accumulated losses at the end of the year** | **(750,494,380)** | (753,640,543) |
| **Deed of Cross Guarantee - Consolidated statement of financial position** | | |
| **Current assets** | | |
| Cash and cash equivalents | **7,811** | 71,925 |
| Trade and other receivables | **95,337** | 423,172 |
| Other assets | **513** | - |
| **Total current assets** | **103,661** | 495,097 |
| **Total assets** | **103,661** | 495,097 |

### 17. INVESTMENTS IN CONTROLLED ENTITIES continued

| | CLOSED GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| **Deed of Cross Guarantee - Consolidated statement of financial position** | | |
| **Current liabilities** | | |
| Trade and other payables | **161,124** | 192,492 |
| Provisions | **-** | 53,996 |
| | **161,124** | 246,488 |
| Liabilities of a disposal group held for sale | | |
| **Total current liabilities** | **161,124** | 246,488 |
| **Non current liabilities** | | |
| Long-term borrowings | **21,131,378** | 24,583,613 |
| **Total liabilities** | **21,292,502** | 24,830,101 |
| **Net (deficiency) / assets** | **(21,188,841)** | (24,335,004) |
| **Equity** | | |
| Issued capital | **711,868,938** | 711,868,938 |
| Reserves | **17,436,601** | 17,436,601 |
| Accumulated losses | **(750,494,380)** | (753,640,543) |
| **Total (deficiency) / equity** | **(21,188,841)** | (24,335,004) |

### 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 mangement 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 | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| Short-term employee benefits | **155,963** | 183,486 |
| Post-employment benefits | **14,037** | 16,583 |
| | **170,000** | 200,069 |

**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 | |
|---|---|---|---|---|---|---|
| | **Salary & Fees** | **Bonus STI** | **Non Monetary (i)** | **Super-annuation** | **Termination Payments** | **Total** |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| C J Henson | 96,330 | - | - | 8,670 | - | 105,000 |
| M O Clarey | 59,633 | - | - | 5,367 | - | 65,000 |
| **Total Non Executive Directors** | **155,963** | **-** | **-** | **14,037** | **-** | **170,000** |
| **Total** | **155,963** | **-** | **-** | **14,037** | **-** | **170,000** |

## 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 | |
|---|---|---|---|---|---|---|
| | **Salary & Fees** | **Bonus STI** | **Non Monetary (i)** | **Super-annuation** | **Termination Payments** | **Total** |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| 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** |

**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 | 257,056,459 | - | - | - | - | 257,056,459 |
| M O Clarey | 105,000 | - | - | - | - | 105,000 |
| | **257,361,459** | **-** | **-** | **-** | **-** | **257,361,459** |

**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 | 257,056,459 | - | - | - | - | 257,056,459 |
| M O Clarey | 105,000 | - | - | - | - | 105,000 |
| | **257,361,459** | **-** | **-** | **-** | **-** | **257,361,459** |

**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 $20,832,659 and at the comparative balance date was $24,421,394. The interest applicable to these borrowings is 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 $1,411,265 and repayments $5,000,000.

On 5 September 2012, Videlli Limited entered into an Administration Funding Agreement. At balance date, $298,719 has been drawn in relation to this agreement. Costs under this agreement are capped at $575,000 from signing date of 5 September 2012 until the due date 15 March 2015. Facility is available to Videlli Limited in respect of all costs not covered by the Litigation Funding Agreement (see above) and the interest applicable to these borrowings is 10% per annum.

Insurance services were supplied by an entity related to Mr D P Saville for the amount of $100,042 (2011: $133,792).

## 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 2013 and 30 June 2012 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;

## 20. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

**(a) Contingent assets and liabilities**

**Sydney Integrated Ticketing System Project (Tcard)**

The litigation matter previously disclosed as a Contingent Asset and Liability, 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 (during the comparative financial year) 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') on 21 February 2012. On payment of this amount, all litigation proceedings brought between parties ceased. This settlement amount of $5,000,000 was paid on 16 February 2012. The payment of this settlement was made by Vix Treasury Pty Ltd as part of the Litigation Funding Agreement.

## 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 2013 and of the performance for the year ended on that date of the consolidated entity; and
   (c) comply with International financial reporting standards as disclosed in Note 1(a) to the financial statements.

2. the directors have been given the declarations required by s.295A of the Corporations Act 2001;

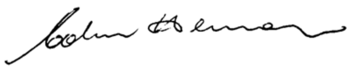
3. in the directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**Chairman**
**C J Henson**

Dated: 26th September 2013, 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 2013, the consolidated statement of profit or loss and other 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 is free from material misstatement, whether due to fraud or error.

In Note 1(a), 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 2013 and of its performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

**Emphasis of Matter**

Without qualifying our opinion, 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 2013 is $21,145,251, the major element being amounts owing under the litigation funding agreement of $20,832,659 and amount owing under the administration funding agreement of $298,719 provided by Vix Treasury Pty Ltd.

The administration funding agreement repayment due date is 15 March 2015.

The litigation funding agreement repayment due date is the earlier of the following:

(a) 15 March 2015, 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.

UHY Haines Norton

**Mark Nicholaeff**
**Partner**
**Signed at Sydney On 26th September 2013**

**UHY Haines Norton**
**Chartered Accountants**

## 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.