

# Appendix 4E

## Preliminary Final Report to the Australian Stock Exchange

|                                                |                          |
|------------------------------------------------|--------------------------|
| <b>Name of Entity</b>                          | PANORAMA SYNERGY LIMITED |
| <b>ABN</b>                                     | 84 060 369 048           |
| <b>Financial Year Ended</b>                    | 30 JUNE 2013             |
| <b>Previous Corresponding Reporting Period</b> | 30 JUNE 2012             |

### Results for Announcement to the Market

|                                                                                                          |                     | \$'000                      | Percentage increase<br>/(decrease) over<br>previous<br>corresponding<br>period |
|----------------------------------------------------------------------------------------------------------|---------------------|-----------------------------|--------------------------------------------------------------------------------|
| Revenue from ordinary activities                                                                         |                     | 15                          | (75)%                                                                          |
| Profit / (loss) from ordinary activities after tax attributable to members                               |                     | (1,651)                     | 13%                                                                            |
| Net profit / (loss) for the period attributable to members                                               |                     | (1,651)                     | 13%                                                                            |
| Dividends (distributions)                                                                                | Amount per security | Franked amount per security |                                                                                |
| Final Dividend                                                                                           | NIL                 | NIL                         |                                                                                |
| Interim Dividend                                                                                         | NIL                 | NIL                         |                                                                                |
| Record date for determining entitlements to the dividends (if any)                                       |                     | N/A                         |                                                                                |
| Brief explanation of any of the figures reported above necessary to enable the figures to be understood: |                     |                             |                                                                                |

### Dividends

|                                                                                                      |     |
|------------------------------------------------------------------------------------------------------|-----|
| Date the dividend is payable                                                                         | N/A |
| Record date to determine entitlement to the dividend                                                 | N/A |
| Amount per security                                                                                  | N/A |
| Total dividend                                                                                       | N/A |
| Amount per security of foreign sourced dividend or distribution                                      | N/A |
| Details of any dividend reinvestment plans in operation                                              | N/A |
| The last date for receipt of an election notice for participation in any dividend reinvestment plans | N/A |

### NTA Backing

|                                                  | Current Period | Previous corresponding period |
|--------------------------------------------------|----------------|-------------------------------|
| Net tangible asset backing per ordinary security | (\$0.02)       | \$0.0003                      |

### Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position

|  |
|--|
|  |
|--|

### Details of Associates and Joint Venture Entities

| Name of entity                |                |                 |
|-------------------------------|----------------|-----------------|
|                               | Current Period | Previous Period |
| Percentage held               |                |                 |
| Aggregate Share of Net Profit |                |                 |

### **Commentary on the Results for the Period**

**The earnings per security and the nature of any dilution aspects :**

EPS: (\$0.0095)

**Returns to shareholders including distributions and buy backs :**

N/A

**Significant features of operating performance :**

N/A

**The results of segments that are significant to an understanding of the business as a whole:**

N/A

**Discussion of trends in performance :**

N/A

**Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:**

No other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

- (a) the entity's operations in future financial years or
- (b) the results of those operations in future financial years or
- (c) the entity's state of affairs in future financial year
- (d) other than disclosed elsewhere in the financial accounts.

### Audit/Review Status

|                                                                                                                                                                                       |                                     |                                                    |                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------------------|--------------------------|
| <b>This report is based on accounts to which one of the following applies:</b><br>(Tick one)                                                                                          |                                     |                                                    |                          |
| The accounts have been audited                                                                                                                                                        | <input type="checkbox"/>            | The accounts have been subject to review           | <input type="checkbox"/> |
| The accounts are in the process of being audited or subject to review                                                                                                                 | <input checked="" type="checkbox"/> | The accounts have not yet been audited or reviewed | <input type="checkbox"/> |
| <b>If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:</b> |                                     |                                                    |                          |
| <b>If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:</b>                             |                                     |                                                    |                          |

### Attachments Forming Part of Appendix 4E

| Attachment # | Details                     |
|--------------|-----------------------------|
| 1            | Draft 2013 financial report |
|              |                             |
|              |                             |

|                                               |                                                                                      |
|-----------------------------------------------|--------------------------------------------------------------------------------------|
| <b>Signed By (Director/Company Secretary)</b> |  |
| <b>Print Name</b>                             | AIDAN MONTAGUE                                                                       |
| <b>Date</b>                                   | 30 AUGUST 2013                                                                       |



**ABN: 84 060 369 048**

**Draft Financial Report For The Year Ended  
30 June 2013**

**ATTACHMENT 1 - DRAFT FINANCIAL REPORT**  
**PANORAMA SYNERGY LIMITED**  
**AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2013**

|                                                                   |      | Consolidated Group |                    |
|-------------------------------------------------------------------|------|--------------------|--------------------|
|                                                                   |      | 2013               | 2012               |
|                                                                   | Note | \$                 | \$                 |
| <b>Revenue</b>                                                    | 3    | 15,167             | 58,967             |
| Other income                                                      | 3    | -                  | 371                |
| Employee benefits expense                                         |      | (256,793)          | (440,181)          |
| Research and development expense                                  |      | (101,749)          | (246,753)          |
| Administration expense                                            |      | (506,483)          | (905,336)          |
| Share based payment expenses                                      |      | (843,600)          | -                  |
| Depreciation and amortisation                                     |      | (1,438)            | (4,104)            |
| Finance costs                                                     |      | (5,923)            | (1,440)            |
| <b>Loss before income tax</b>                                     | 4    | (1,700,819)        | (1,538,476)        |
| Income tax benefit                                                | 5    | 49,436             | 72,068             |
| <b>Loss from continuing operations</b>                            |      | (1,651,383)        | (1,466,408)        |
| <b>Other comprehensive income:</b>                                |      |                    |                    |
| <b>Other comprehensive income/(loss) for the year, net of tax</b> |      | -                  | -                  |
| <b>Total comprehensive loss for the year</b>                      |      | <u>(1,651,383)</u> | <u>(1,466,408)</u> |
| Loss attributable to:                                             |      |                    |                    |
| Members of the parent entity                                      |      | <u>(1,651,383)</u> | <u>(1,466,408)</u> |
| Total comprehensive income/(loss) attributable to:                |      |                    |                    |
| Members of the parent entity                                      |      | <u>(1,651,383)</u> | <u>(1,466,408)</u> |
| <b>Loss per share</b>                                             |      |                    |                    |
| <b>From continuing operations:</b>                                |      |                    |                    |
| Basic earnings per share (cents)                                  | 8    | (0.96)             | (0.94)             |
| Diluted earnings per share (cents)                                | 8    | (0.96)             | (0.94)             |

The accompanying notes form part of these financial statements.

**ATTACHMENT 1 - DRAFT FINANCIAL REPORT**  
**PANORAMA SYNERGY LIMITED**  
**AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013**

|                                     |      | Consolidated Group |                |
|-------------------------------------|------|--------------------|----------------|
|                                     |      | 2013               | 2012           |
|                                     | Note | \$                 | \$             |
| <b>ASSETS</b>                       |      |                    |                |
| <b>CURRENT ASSETS</b>               |      |                    |                |
| Cash and cash equivalents           | 9    | 36,344             | 324,102        |
| Trade and other receivables         | 10   | 16,039             | 48,786         |
| Prepayments                         | 13   | 7,106              | 55,263         |
| Current tax asset                   |      | 35,059             | 71,888         |
| <b>TOTAL CURRENT ASSETS</b>         |      | <u>94,548</u>      | <u>500,039</u> |
| <b>NON-CURRENT ASSETS</b>           |      |                    |                |
| Plant and equipment                 | 12   | 777                | 2,215          |
| <b>TOTAL NON-CURRENT ASSETS</b>     |      | <u>777</u>         | <u>2,215</u>   |
| <b>TOTAL ASSETS</b>                 |      | <u>95,325</u>      | <u>502,254</u> |
| <b>LIABILITIES</b>                  |      |                    |                |
| <b>CURRENT LIABILITIES</b>          |      |                    |                |
| Trade and other payables            | 14   | 425,755            | 370,507        |
| Interest bearing liabilities        | 15   | 32,747             | 60,492         |
| Provisions                          | 16   | 23,155             | 24,804         |
| <b>TOTAL CURRENT LIABILITIES</b>    |      | <u>481,657</u>     | <u>455,803</u> |
| <b>TOTAL LIABILITIES</b>            |      | <u>481,657</u>     | <u>455,803</u> |
| <b>NET ASSETS</b>                   |      | <u>(386,332)</u>   | <u>46,451</u>  |
| <b>EQUITY</b>                       |      |                    |                |
| Issued capital                      | 17   | 58,647,845         | 58,497,845     |
| Equity portion of convertible notes | 15   | 225,000            | -              |
| Reserves                            | 26   | 2,945,085          | 2,101,485      |
| Accumulated losses                  |      | (62,204,262)       | (60,552,879)   |
| <b>TOTAL EQUITY</b>                 |      | <u>(386,332)</u>   | <u>46,451</u>  |

The accompanying notes form part of these financial statements.

**ATTACHMENT 1 - DRAF FINANCIAL REPORT**  
**PANORAMA SYNERGY LIMITED**  
**AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013**

|                                                                                   | Issued<br>Capital | Equity<br>portion of<br>convertible<br>notes | Share based<br>payment<br>reserve | Foreign<br>Currency<br>Translation<br>Reserve | Accumulated<br>Losses | Total            |
|-----------------------------------------------------------------------------------|-------------------|----------------------------------------------|-----------------------------------|-----------------------------------------------|-----------------------|------------------|
|                                                                                   | \$                | \$                                           | \$                                | \$                                            | \$                    | \$               |
| <b>Consolidated Group</b>                                                         |                   |                                              |                                   |                                               |                       |                  |
| <b>Balance at 1 July 2011</b>                                                     | 56,907,845        | 1,048,500                                    | 2,100,000                         | 1,485                                         | (59,086,471)          | 971,359          |
| <b>Comprehensive income</b>                                                       |                   |                                              |                                   |                                               |                       |                  |
| Profit/(loss) for the year                                                        | -                 | -                                            | -                                 | -                                             | (1,466,408)           | (1,466,408)      |
| Other comprehensive income for the year                                           | -                 | -                                            | -                                 | -                                             | -                     | -                |
| <b>Total comprehensive income for the year</b>                                    | -                 | -                                            | -                                 | -                                             | (1,466,408)           | (1,466,408)      |
| <b>Transactions with owners, in their capacity as owners, and other transfers</b> |                   |                                              |                                   |                                               |                       |                  |
| Shares issued during the year                                                     | 425,000           | -                                            | -                                 | -                                             | -                     | 425,000          |
| Conversion of convertible notes to shares                                         | 1,048,500         | (1,048,500)                                  | -                                 | -                                             | -                     | -                |
| Settlement of interest liability on notes                                         | 116,500           | -                                            | -                                 | -                                             | -                     | 116,500          |
| <b>Total transactions with owners and other transfers</b>                         | <b>1,590,000</b>  | <b>(1,048,500)</b>                           | <b>-</b>                          | <b>-</b>                                      | <b>-</b>              | <b>541,500</b>   |
| <b>Balance at 30 June 2012</b>                                                    | <b>58,497,845</b> | <b>-</b>                                     | <b>2,100,000</b>                  | <b>1,485</b>                                  | <b>(60,552,879)</b>   | <b>46,451</b>    |
| <b>Balance at 1 July 2012</b>                                                     | 58,497,845        | -                                            | 2,100,000                         | 1,485                                         | (60,552,879)          | 46,451           |
| <b>Comprehensive income</b>                                                       |                   |                                              |                                   |                                               |                       |                  |
| Loss for the year                                                                 | -                 | -                                            | -                                 | -                                             | (1,651,383)           | (1,651,383)      |
| Other comprehensive income for the year                                           | -                 | -                                            | -                                 | -                                             | -                     | -                |
| <b>Total comprehensive income for the year</b>                                    | -                 | -                                            | -                                 | -                                             | (1,651,383)           | (1,651,383)      |
| <b>Transactions with owners, in their capacity as owners, and other transfers</b> |                   |                                              |                                   |                                               |                       |                  |
| Shares issued during the year                                                     | 150,000           | -                                            | -                                 | -                                             | -                     | 150,000          |
| Issue of convertible notes                                                        | -                 | 225,000                                      | -                                 | -                                             | -                     | 225,000          |
| Share based payments                                                              | -                 | -                                            | 843,600                           | -                                             | -                     | 843,600          |
| <b>Total transactions with owners and other transfers</b>                         | <b>150,000</b>    | <b>225,000</b>                               | <b>843,600</b>                    | <b>-</b>                                      | <b>-</b>              | <b>1,218,600</b> |
| <b>Balance at 30 June 2013</b>                                                    | <b>58,647,845</b> | <b>225,000</b>                               | <b>2,943,600</b>                  | <b>1,485</b>                                  | <b>(62,204,262)</b>   | <b>(386,332)</b> |

The accompanying notes form part of these financial statements.

**ATTACHMENT 1 - DRAFT FINANCIAL REPORT**  
**PANORAMA SYNERGY LIMITED**  
**AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013**

|                                                          |      | Consolidated Group   |                       |
|----------------------------------------------------------|------|----------------------|-----------------------|
|                                                          | Note | 2013                 | 2012                  |
|                                                          |      | \$                   | \$                    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>              |      |                      |                       |
| Receipts from customers                                  |      | 20,377               | 39,286                |
| Interest received                                        |      | 1,516                | 27,792                |
| Income tax receipt (R&D Rebate)                          |      | 86,265               | 144,618               |
| Payments to suppliers and employees                      |      | (667,287)            | (1,644,059)           |
| Finance costs                                            |      | (5,923)              | (1,440)               |
| Net cash (used in) operating activities                  | 21a  | <u>(565,052)</u>     | <u>(1,433,803)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>              |      |                      |                       |
| Purchase of plant and equipment                          |      | -                    | (949)                 |
| Net cash (used in) investing activities                  |      | <u>-</u>             | <u>(949)</u>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>              |      |                      |                       |
| Proceeds from issue of shares                            |      | 100,000              | 425,000               |
| Proceeds from borrowings                                 |      | 251,713              | 72,303                |
| Repayment of borrowings                                  |      | (74,419)             | (11,796)              |
| Refund of deposits on shares not issued                  |      | -                    | (33,156)              |
| Net cash provided by financing activities                |      | <u>277,294</u>       | <u>452,351</u>        |
| Net (decrease) in cash held                              |      | <u>(287,758)</u>     | <u>(982,401)</u>      |
| Cash and cash equivalents at beginning of financial year | 9    | <u>324,102</u>       | <u>1,306,503</u>      |
| Cash and cash equivalents at end of financial year       | 9    | <u><u>36,344</u></u> | <u><u>324,102</u></u> |

The accompanying notes form part of these financial statements.

**ATTACHMENT 1 - DRAFT FINANCIAL REPORT  
PANORAMA SYNERGY LIMITED  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

Panorama Synergy Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The company is engaged in research and development in the photonics technology sector as well as on-line sales and Marketing.

**Note 1      Summary of Significant Accounting Policies**

**Basis of Preparation**

The Appendix 4E is prepared applying recognition and measurement principals of the the Australian Accounting Standards.

**Going concern**

The consolidated financial statements have been prepared on the going concern basis. For the year ended 30 June 2013, the Consolidated Entity has incurred losses of \$1,651,383, experienced net cash outflows fom operations of \$565,052, and has net current assets of (\$387,109).

The Directors have forcasted the cash flow requirements to progress their business plans for the Company and the Consolidated Entity for the period of 12 months from the date of this report, which includes the effect of a rights issue to raise \$1,039,525 that has been underwritten to the extent of \$519,762.

The Directors are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the Company and the Consolidated Entity be unable to continue as going concerns, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded amounts or the amounts and classification of liabilities and appropriate disclosures that may be necessary should the Company and Consolidated Entity be unable to continue as going concerns.

**(a) Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Panorama Synergy Limited at the end of the reporting period. A controlled entity is any entity over which Panorama Synergy Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 11 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**(b) Income Tax**

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

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

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

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

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

**ATTACHMENT 1 - DRAFT FINANCIAL REPORT  
PANORAMA SYNERGY LIMITED  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**(c) Plant and Equipment**

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

**Plant and equipment**

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

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

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

**Depreciation**

The depreciable amount of all fixed assets, but excluding freehold land, is depreciated on a diminishing value basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

| <b>Class of Fixed Asset</b> | <b>Depreciation Rate</b> |
|-----------------------------|--------------------------|
| Plant and equipment         | 50% - 66.66%             |

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**(d) Segment Reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed separately as unallocated items.

**(e) Investments**

Investments in subsidiaries are accounted applying the "cost" method in the separate financial statements of the parent entity.

An assessment of the impairment in investments is performed at each reporting date. Where objective evidence exists, the investments are written down through an allowance account.

**ATTACHMENT 1 - DRAFT FINANCIAL REPORT  
PANORAMA SYNERGY LIMITED  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**(f) Financial Instruments**

**Recognition and Initial Measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

**Classification and Subsequent Measurement**

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

**Convertible notes**

The convertible notes are a compound financial instrument with separate liability and equity components identified on initial recognition. Transaction costs are deducted against the liability component of the compound financial instrument at amortised cost using the effective interest rate method.

The debt component of the convertible note is measured at amortised cost and therefore increases as the present value of the interest coupon payments and redemption amount increases, with a corresponding charge to finance cost (accretion expense). The debt component decreases by the cash interest coupon payments made. Upon the redemption of the notes through issue of equity shares, the financial liability and the debt component are taken to issued capital.

**(i) Financial assets at fair value through profit or loss**

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

**(ii) 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 subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

**(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

**(iv) Available-for-sale investments**

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

**(v) Financial Liabilities**

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**ATTACHMENT 1 - DRAFT FINANCIAL REPORT**  
**PANORAMA SYNERGY LIMITED**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**Impairment**

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

**Derecognition**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(g) Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

**(h) Share Based Payments**

The cost of equity-settled transactions with employees / consultants / suppliers is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Binomial Tree and Black –Scholes models, taking into account the terms and conditions upon which options were granted.

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

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

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

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

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

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**ATTACHMENT 1 - DRAFT FINANCIAL REPORT**  
**PANORAMA SYNERGY LIMITED**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**(i) Foreign Currency Transactions and Balances**

Both the functional and presentation currency of Panorama Synergy Limited and Digital Nervous Systems Pty Ltd is Australian dollars (\$AUD). Panorama Synergy (Europe) Ltd has a functional currency of Great British Pounds.

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

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

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

**(j) Employee Benefits**

Employee benefits such as salary and wages are measured at the rate at which the Company expects to settle the liability; and recognised during the period over which the employee services are being rendered.

**(k) Provisions**

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

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

**(l) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

**(m) Revenue and Other Income**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

*Rendering of services*

Revenue from the installation of software is recognised by reference to the stage of completion.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

*Interest*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

**(n) Trade and Other Receivables**

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

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(f) for further discussion on the determination of impairment losses.

**(o) Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**(p) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**(q) Comparative Figures**

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

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

**(r) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Key Estimates**

*(i) Impairment - General*

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.