

TRANSOL CORPORATION LIMITED
A.B.N 73 089 224 402

Appendix 4E

**Preliminary final report
Period ending 30 June 2005**

“Results for announcement to the market”.

The following information is given to the ASX under listing rule 4.3A.

1.	Details of the reporting period and the previous corresponding period.	Period ending 30 June 2005 (corresponding period 30 June 2004)
	<i>Key information in relation to the following.</i>	
2.1	The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities	Increase \$5,695,901 (Up 869.2%) To \$6,351,209
2.2	The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members	Increase loss by \$4,882,487 (Up 129.6%) To (\$8,649,027)
2.3	The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members	Increase loss by \$4,882,487 (Up 129.6%) To (\$8,649,027)
2.4	The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends	It is not proposed to pay dividends.
2.5	The record date for determining entitlements to the dividends (if any)	N/A
2.6	A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood	<p>The consolidated loss of the economic entity after providing for income tax amounted to \$8,649,027 (2004: loss of \$3,766,540).</p> <ul style="list-style-type: none"> ➤ Transol experienced significant growth in its contract base to install and operate red light camera systems at up to 55 approaches across 9 cities in 5 states in the USA. Transol was earning revenues from the capture and processing of traffic offences incurred by motorists from the approaches that it had installed up to 30 June 2005; ➤ Transol entered into a A\$15 million sale and leaseback funding arrangement with Rentworks Limited, a subsidiary of Alleasing Financial Australia Limited (AFA), that provided funding for 100 approaches. As at 30 June 2005, Transol had commissioned approaches resulting in the drawdown of \$5.7 million from Rentworks Limited; ➤ Transol continued expenditure in research and development on its red light camera systems;

		➤ Transol successfully defended its patent technology from Nestor Inc, USA;
3.	A statement of financial performance together with notes to the statement, prepared in compliance with AASB 1018 or the equivalent foreign accounting standard	See Income Statement and accompanying Notes
4.	A statement of financial position together with notes to the statement. The statement of financial position may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals	See Balance Sheet and accompanying Notes
5.	A statement of cash flows together with notes to the statement. The statement of cash flows may be condensed but must report as line items each significant form of cash flow and comply with the disclosure requirements of AASB 1026 Statement of Cash Flows, or for foreign entities, the equivalent foreign accounting standard	See Cash Flow Statement and accompanying Notes
6.	Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution	N/A
7.	Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan	N/A
8.	A statement of retained earnings showing movements	See Note 16 – Accumulated Losses
9.	Net tangible assets per security with the comparative figure for the previous corresponding period	4.23 cents (2004: 6.21 cents)
10.	Details of entities over which control has been gained or lost during the period, including the following	
10.1	Name of the entity	None
10.2	The date of the gain or loss of control	N/A
10.3	Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period	N/A
11.	Details of associates and joint venture entities including the following	
11.1	Name of the associate or joint venture entity	N/A
11.2	Details of the reporting entity's percentage holding in	N/A

	each of these entities	
11.3	Where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period	N/A
12.	Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position	Refer to Directors Report "Corporate Information", "Review of Operations", "After Balance Date Events" and "Incomplete Financial Information". Refer to Note 1 - Financial Statements regarding going concern.
13.	For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards)	Australian – International Financial Reporting Standards
14.	A commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results, which would include but not be limited to discussion of the following	Refer to Directors Report "Corporate Information", "Review of Operations", "After Balance Date Events" and "Incomplete Financial Information". Refer to Note 1 - Financial Statements regarding going concern.
14.1	The earnings per security and the nature of any dilution aspects	Earnings Per Share: -10.92 cents (2005: -6.45 cents) Dilutive earnings per unit -10.92 cents (2005: -6.45 cents)
14.2	Returns to shareholders including distributions and buy backs	None
14.3	Significant features of operating performance	Refer to item 14 above
14.4	The results of segments that are significant to an understanding of the business as a whole	The company operates in one industry being the provision of traffic law enforcement systems using the Internet and two geographic locations being Australia and USA. Refer to Note 23 of the financial statements.
14.5	A discussion of trends in performance	Refer to item 14 above.
14.6	Any other factors which have 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	The impact of the AIFRS disclosures can be found at Note 2 to the financial statements.
15.	A statement as to whether the report is based on +accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed	The report is based upon accounts which have been audited for the financial year ended 30 June 2005.
16.	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	N/A
17	If the +accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification	The Company's and economic entity's financial statements and notes, as set out on the following pages, are qualified in respect of the Statement of Financial Performance, Statement of Financial Position and Cash Flow Statement and notes attaching to these statements.

**TRANSOL CORPORATION LIMITED
(ABN 73 089 224 402)**

AND

CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2005

Qualified Report

It is not possible for the Directors to state that the financial statements and notes of the Parent Entity and of the Economic Entity are in accordance with the Corporations Act 2001, and the Directors' Report and Financial Statements and notes are qualified accordingly. Readers should refer to the qualified Directors' Declaration on page 19 and the circumstances described in the Directors' Report under the headings "Events Subsequent to Balance Date" and "Incomplete Financial Information" on pages 6 and 7.

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CHAIRMAN'S LETTER TO SHAREHOLDERS

The Chairman's letter is written in respect of the period from July 2005 to September 2006. The audited financial statements for the 2004-2005 financial year follow this Chairman's letter. As noted on the cover of this Annual Report, due to the circumstances described in the Directors' Report under the headings "Events Subsequent to Balance Date" and "Incomplete Financial Information", the Directors' Report and financial statements and notes are qualified. Readers should refer to the qualified Directors' Declaration on page 19.

During the 2004-2005 financial year, Transol Corporation Limited ("Transol" or the "Company") experienced significant growth in its contract base to install and operate red light camera systems at up to 55 approaches across 9 cities in 5 states in the USA. Transol was earning revenues from the capture and processing of traffic offences incurred by motorists from the approaches that it had installed up to 30 June 2005. Transol also entered into a \$15 million sale and leaseback funding arrangement with Rentworks Limited, a subsidiary of Alleasing Financial Australia Limited (AFA), that provided funding for up to 100 approaches per an agreement signed on 30 September 2004.

Due to the cancellation of a 2 approach intersection in June 2005, AFA, upon undertaking a review of Transol's operating position, requested that Transol repay \$1 million to AFA post June 2005 before being allowed to continue with further installation of contracted approaches in the USA payment of legal fees incurred in successfully defending the patent infringement action filed by Nestor Inc. against Transol. The Directors of Transol considered that although sufficient funds were available to pay the demands, the Company would have minimal working capital with which to continue its operations.

On the 14th July 2005, the Directors of Transol Corporation Limited ("Transol" or the "Company") placed the Transol Group of companies into Voluntary Administration as the group was at risk of trading insolvent. Laurence Andrew Fitzgerald and Stephen Robert Dixon of Horwath Melbourne were appointed Joint and Several Administrators. The Company's shares were suspended from trading on the ASX following this announcement and Transol ceased operating its red light camera operations.

Although the principal activity of the Company was the development of proprietary technologies for internet-based traffic law enforcement programs (red light camera systems), Transol also held a license to develop and commercialise the business known as CLTNet® (networked computerised licence testing system).

Transol re-acquired the rights to the proprietary CLTNet® product under a 6 September 2006 Licence Agreement with Victoria University of Technology.

The CLTNet® technology is used to create and manage interactive driver knowledge testing solutions that completely replace paper based testing. Computerised license testing systems replace conventional, paper-based, driver-licence testing with interactive, multilingual, multimedia, knowledge testing systems.

The 1994 VicRoads pilot CLTNet® application showed that systems can double the test-throughput of driver licence testing authorities.

Advanced, interactive, multilingual, multimedia technologies give test applicants who could be disadvantaged by race, culture, disability or illiteracy more equitable access to licence testing.

The Directors of Transol believe the Company is now in a position to raise sufficient capital to recommence the CLTNet® business and have its ordinary shares readmitted for quotation on the ASX.

My Directors and I look forward to your continued support of the Company in the period ahead.

Martin Ralston
Non-Executive Chairman

29 September 2006

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2005.

Directors

The names and details of the Company's Directors in office during the 2004/2005 financial year and until the date of this report are as follows:

Mr Martin Ralston
(Appointed 8 October 2003)
(Non-Executive Chairman)
B.Ec.

Martin Ralston has been involved in the information technology sector since 1970. He has worked for BHP, Computer Accounting Services and Accenture (previously Andersen Consulting) where he was a partner from 1985 to his retirement in August 2001. Mr Ralston holds no other listed Company Directorships nor has he held such position in the past three years. Mr Ralston is a member of the Company's Audit & Risk Committee and Remuneration Committee.

Mr Angus Edgar
(Appointed 28 May 2003)
(Non-Executive Director)

Angus Edgar has been employed in the finance/stockbroking industry for 20 years since 1985 with the majority of that time employed with various share broking companies. During that period he has been directly involved with providing corporate advisory services to private and ASX listed companies and the listing of several new companies onto the ASX. Mr Edgar is a Director of Melbourne Capital Limited, a corporate advisory Company. Mr Edgar holds no other listed Company Directorships nor has he held such position in the past three years. Mr Edgar is a member of the Company's Audit & Risk Committee and Remuneration Committee.

Mr Andrew Metcalfe
(Appointed 14 June 2006)
(Non-Executive Director)
(Company Secretary)

Mr Metcalfe is a qualified accountant with over 20 years experience across a variety of industry sectors, holding the position of Company Secretary and CFO for a number of ASX listed entities and unlisted public entities for property, retail, energy, manufacturing, and technology industries. Mr Metcalfe is a Fellow of the Institute of Chartered Secretaries. Mr Metcalfe is currently a Director of Oriel Communications Limited but has held no other listed Company Directorships in the past three years. Mr Metcalfe is a member of the Audit & Risk Committee and Remuneration Committee.

Directors who resigned during the period were:

Mr Rob Ciolli
(Resigned 28 February 2006)
(Executive Director)

Ms Bronwen Ciolli (Coulstock)
(Resigned 28 February 2006)
(Executive Director)

Mr Nick Palmer
(Resigned 14 June 2006)
(Non-Executive Director)

Directors have been in office since the start of the 2004/ 2005 financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position as Company Secretary at the end of the financial year.

Mr Andrew Metcalfe
(Appointed 28 May 2003)

Details as per above.

Corporate Information

Transol Corporation Limited ("Transol" or "the Company") is a Company limited by shares that is incorporated and domiciled in Australia. Transol was formed in 1999 as Online Trading Systems Limited and went into voluntary liquidation in October 2002 following which the Deed Administrators released the Company from administration in May 2003. The Company was readmitted to the Australian Stock Exchange (ASX Code TNC) on 24 December 2003. Transol operated as a listed entity until July 2005 when Directors placed the Company and its controlled entities into Voluntary Administration.

Transol also entered into a \$15 million sale and leaseback funding arrangement with Rentworks Limited, a subsidiary of Alleasing Financial Australia Limited (AFA), that provided funding for up to 100 approaches per an agreement signed 30 September 2004.

Due to the cancellation of a 2 approach intersection in June 2005, AFA, upon undertaking a review of Transol's operating position, requested that Transol repay \$1 million to AFA post June 2005 before being allowed to continue with further installation of contracted approaches in the USA payment of legal fees incurred in successfully defending the patent infringement action filed by Nestor Inc. against Transol. The Directors of Transol considered that although sufficient funds were available to pay the demands, the Company would have minimal working capital with which to continue its operations.

Following the appointment of Horwath Melbourne as Joint and Several Administrators on 14 July 2005, Alleasing Finance Australia Limited (AFA) immediately appointed a Receiver and Manager to manage the Company's assets. The Receiver and Manager were given the responsibility of selling the assets of the Company and recovering payment of the secured debt. On 31 August, 2005 AFA entered into a Sale Agreement with Nestor Inc. for the sale of the Company's red light camera business and all assets associated with that business. This contract was completed on 15 January 2006 when USD\$2 million was received for the sale of the red light camera business and the Receiver and Manager subsequently resigned on 7 February 2006.

After the date of appointment of the Company's Administrators, the Company's creditors agreed to enter into a Deed of Company Arrangement with Transol, whereby the creditors would accept a part payment of their debt in full settlement of the debt owed by the Company. This arrangement was consummated at a creditor meeting held on 24th August 2005, and was finalised via an amendment to the Deed of Company Arrangement on 2 March 2006. The Deed Administrators released the Company from administration on 5 September 2006.

Following the approval by shareholders on 22 May 2006 of the issue of a convertible note for \$110,000, funds were made available to pay creditors and other costs associated with the Deed Administration.

At that shareholders meeting, other resolutions that were passed included a consolidation of the Company's share capital on the basis of 1 for 2 held, and an issue of ordinary shares and free attaching options for assets held by AFA, and an issue of ordinary shares and free attaching options to eliminate debt in the Company.

The Company is seeking to have its ordinary shares readmitted to the Australian Stock Exchange (for further information, refer to the Chairman's Letter to Shareholders).

At 14 July 2005 (the date of the appointment of the Administrators) the Company had not completed its financial report for the financial year ending 30 June 2005. The management and affairs of the Company were not under the control of the Directors during the period in which the affairs were under the control of the Receiver & Manager. During that period books and records of the economic entity records required for the preparation of the financial reports were either not preserved or made available to the Company and its accountants. Subsequent to the resignation of the Receiver & Manager and return of the management and control of the Company's affairs to the Directors it has not been possible to obtain all the books and records of the entire economic entity for the relevant period, particularly books and records which would have been held by the Company's former US subsidiary Transol USA Inc. and its accountants with certainty or at all. This has resulted in delays in preparing the financial report and Directors' report and the completion of the audit of those reports statements and the Directors being unable to reconstruct complete financial and corporate records relating to the period. The Company has prepared this financial report to the best of its knowledge, based on the best information available to it.

Interests in shares and options of the Company

As at the date of this report, the interests of the Directors in the shares and options of Transol Corporation Limited were:

Name of Director	Interests		
	Ordinary Shares held both direct & indirect	Convertible Note valued at \$110,000 to be converted to shares and options within three years of issue	Incentive Options held over Ordinary Shares
Martin Ralston	237,500	Nil	300,000
Angus Edgar	15,450,982	22,000,000	27,563,931
Andrew Metcalfe	50,000	Nil	Nil

Principal Activities

The principal activity of the economic entity during the 2004-2005 financial year was the development and commercialisation of proprietary technologies for internet-based traffic law enforcement programs, and the provision, implementation and operation of service contracts for USA cities utilising these technologies. The Company was placed into Voluntary Administration by the Directors on 14 July 2005. The Receiver and Manger was appointed on 15 July 2005 and the Company operated through to 31 December 2005 under their management until their retirement in February 2006 following which the Administrators carried out their duties under the Deed of Company Arrangement through to 30 June 2006.

Operating Results & Dividends

The consolidated loss of the economic entity after providing for income tax amounted to \$8,649,027 (2004: loss of \$3,766,540).

No dividend is recommended for the year. No dividends were paid during the year.

Review of Operations

During the 2004-2005 financial year and up to the date of this report:

- Transol experienced significant growth in its contract base to install and operate red light camera systems at up to 55 approaches across 9 cities in 5 states in the USA. Transol was earning revenues from the capture and processing of traffic offences incurred by motorists from the approaches that it had installed up to 30 June 2005;
- Transol entered into a A\$15 million sale and leaseback funding arrangement with Rentworks Limited, a subsidiary of Alleasing Financial Australia Limited (AFA), that provided funding for 100 approaches. As at 30 June 2005, Transol had commissioned approaches resulting in the drawdown of \$5.7 million from Rentworks Limited;
- Transol continued expenditure in research and development on its red light camera systems;
- Transol successfully defended its patent technology from Nestor Inc, USA;
- Transol raised \$4,544,500 in capital;

Issue of securities

During the financial year and up to the date of this report the Company made the following issue of securities:

- The second issue of 2,000,000 vendor milestone shares at \$0.10 per share following the contracting of 50 approaches;

- The exercise of 250,000 options to 250,000 shares at \$0.25 cents per share;
- The issue of 20,000,000 shares at \$0.20 per share to raise \$4 million; and
- The implementation of a Share Purchase Plan for the issue of 2,410,000 shares raising \$482,000 at \$0.20 cents per share.

Share Options

At the date of this report, the unissued ordinary shares of Transol Corporation Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
15/08/03	15/08/08	\$0.20	2,000,000
01/10/03	15/08/08	\$0.25	550,000
31/12/03	31/12/08	\$0.25	107,500
08/10/04	08/10/07	\$0.25	340,000
12/01/05	12/01/10	\$0.275	44,000
16/02/05	16/02/10	\$0.275	15,000
04/03/05	04/03/10	\$0.275	5,000
04/03/05	04/03/08	\$0.25	330,000
03/05/05	02/05/10	\$0.22	100,000
			3,491,500

During the financial year 250,000 shares were issued as a result of an exercise of 250,000 Employee Incentive options (pre-consolidation).

During the financial year ended 30 June 2005, 230,000 Employee Incentive options (pre-consolidation) were cancelled following the resignation of employees.

Refer to note 15 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue by the Company or related body corporate.

Significant Changes in State of Affairs

Other than disclosed above, there were no significant changes in the state of affairs of the economic entity during the financial year and up to the date of this report.

Management has decided in this financial period to write-off those assets which, as a result of subsequent events have rendered them as being "redundant", the material items have been disclosed in the notes to the financial statements.

Future Developments and Prospects and Business Strategies

Due to the events that have taken place subsequent to Balance Date, the economic entity was managed by Receivers and Managers and Deed Administrators for the financial year ended 30 June 2006

Due to the events that have taken place subsequent to Balance Date, the economic entity will commence operating the Computerised License Testing (CLTNet[®]) system as its principal business following the raising of a minimum of \$1.5 million pursuant to a Prospectus offer.

After Balance Date Events

The following items, transactions and events of a material or unusual nature have arisen in the interval between the end of the year ending 30 June 2005 and at the date of this report, and have significantly affected the results of the operations of the economic entity. The company has reported all these events in this report due to their impact on the Company through the year up until the date of this report.

Due to the cancellation of a 2 approach intersection in June 2005, Alleasing Finance Australia Limited (AFA), upon undertaking a review of Transol's operating position, issued a Letter of Demand in July 2005 requesting Transol repay \$1 million to AFA before being allowed to continue with further installation of contracted approaches in the USA payment of legal fees incurred in successfully defending the patent infringement action filed by Nestor Inc. against Transol. The Directors of Transol considered that although sufficient funds were available to pay the demands, the Company would have minimal working capital with which to continue its operations.

Following the appointment of Horwath Melbourne as Joint and Several Administrators on 14 July 2005, Alleasing Finance Australia Limited (AFA) immediately appointed a Receiver and Manager to manage the Company's assets. The Receiver and Manager were given the responsibility of selling the assets of the Company and recovering payment of the secured debt. On 31 August, 2005 AFA entered into a Sale Agreement with Nestor Inc. for the sale of the Company's red light camera business and all assets associated with that business. This contract was completed on 15 January 2006 when USD\$2 million was received for the sale of the red light camera business and the Receiver and Manager subsequently resigned on 7 February 2006.

After the date of appointment of the Company's Administrators, the Company's creditors agreed to enter into a Deed of Company Arrangement with Transol, whereby the creditors would accept a part payment of their debt in full settlement of the debt owed by the Company. This arrangement was consummated at a creditor meeting held on 24th August 2005, and was finalised via an amendment to the Deed of Company Arrangement on 2 March 2006. The Deed Administrators released the Company from administration on 5 September 2006.

Following the approval by shareholders on 22 May 2006 of the issue of a convertible note for \$110,000, funds were made available to pay creditors and other costs associated with the Deed Administration.

At that shareholders meeting, other resolutions that were passed included a consolidation of the Company's share capital on the basis of 1 for 2 held, and an issue of ordinary shares and free attaching options for assets held by AFA, and an issue of ordinary shares and free attaching options to eliminate debt in the Company.

On 9 August 2006, Transol had advised the ASX that it had signed a Convertible Note Agreement with Mungala Investments Pty Ltd, a Company associated with a Director, Angus Edgar, following payment of \$110,000 to the Deed Administrators to finalise the Deed Administration process. The Note has an 8% coupon rate and converts into 22,000,000 shares and free attaching options (with a two cent strike price and expiring within five years from date of issue).

On 15 August 2006 Transol issued 24,864,662 ordinary shares and free attaching options (with a two cent strike price and expiring on 22 May 2011) in lieu of \$200,000 of loan funds, previously approved by shareholders.

On 15 August 2006 Transol issued 15,136,000 options (with a two cent strike price and expiring on 22 May 2011) in lieu of \$15,137 of loan funds, previously approved by shareholders.

On 15 August 2006 Transol issued 3,120,000 ordinary shares at a value of \$0.01 per share and free attaching options (with a two cent strike price and expiring on 22 May 2009) to acquire assets associated with the CLTNet® business.

On 25 August 2006, the Receiver and Manager of Transol Pty Ltd, a controlled entity, retired.

On 5 September 2006, Horwath Melbourne completed the Administration Deed and resigned as Administrators.

On 8 September 2006, Transol Corporation Limited entered into a Sale of Shares agreement with a non-related party to dispose of all shares in its controlled entities, Transol Holdings Pty Ltd and Transol Pty Ltd. The effect

of this sale of shares on the Company's Balance Sheet is that it removes all debts and liabilities of these controlled companies that were owed at the date of sale of shares.

Incomplete Financial Information

Due to the Parent Entity being subject to external administration and Receiver & Manager appointed for the period 15 July 2005 to 7 February 2006 and the associated disposal of the US based Red Light Camera business, complete records have not been able to be located. The effect on the financial report for the financial year ending 30 June 2005 is as follows:

At 14 July 2005 (the date of the appointment of Joint Administrators) the Company had not completed its financial report for the financial year ending 30 June 2005. The management and affairs of the Company were not under the control of the Directors during the period in which the affairs were under the control of the Receiver & Manager. During that period books and records of the economic entity required for the preparation of the financial reports were either not preserved or made available to the Company and its accountants. Subsequent to the resignation of the Receiver & Manager and return of the management and control of the Company's affairs to the Directors it has not been possible to obtain all the books and records of the entire economic entity for the relevant period, particularly books and records which would have been held by the Company's former USA subsidiary Transol USA, Inc and its accountants with certainty or at all. This has resulted in delays in preparing the financial report and Directors' Report which has resulted in delays in the completion of the audit and the Directors being unable to reconstruct complete financial and corporate records relating to the period. The Company has prepared this financial report to the best of its knowledge, based on the best information available to it.

The Directors are of the opinion that it is not possible to state that the financial statements and notes are in accordance with the requirements of the Corporations Act 2001 due to the lack of records and certainty in connection with the books and records of the economic entity for the relevant period, particularly the Company's former USA subsidiary Transol USA, Inc and its Canadian Subsidiary.

It is noted by the Directors that the disposal of the Red Light Camera business and application of the proceeds of the sale to the secured creditor, costs of the sale and costs of the Receiver & Manager mean that while historical records are affected and that this may result in the financial information for the period in which the business was disposed of not being complete, the absence of records is not expected to significantly detract from the Company's ability to identify and maintain proper books and records for its continuing CLTNet® business and the assets it does retain. Therefore the absence of records due to the external administration and disposal by the Receiver & Manager primarily affects the historical records of the economic entity rather than its ability to continue its retained business and operations.

The Directors anticipate that the Company's auditors will qualify their report on the Company's and economic entity's financial statements. Regard should be had to the qualifications in the Auditor's report.

Environmental Issues

The economic entity's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

Proceedings on Behalf of Company

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

The Company was not a party to any such proceedings during the year.

Indemnifying Officers

During the period July 2004 to June 2005, the Company arranged Directors' & Officers Liability Insurance for its Directors and Officers. This premium insured that each of the Directors & Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The insurance policy had a liability limit of \$5 million on any one claim and in aggregate. The nature of the liabilities covered was Official Investigation, Inquiries and Proceedings, Occupational Health & Safety, Mitigation Costs and Civil Awards. At 30 June 2005 there was Directors' & Officers Liability insurance in place.

REMUNERATION REPORT

Remuneration philosophy

The performance of Transol depends upon the quality of its Directors and Executive Officers. To prosper, Transol must attract, motivate and retain highly skilled Directors and Executive Officers.

The Directors' emoluments are comparable to similar companies in the technology industry. There is no formal link between the economic entity's performance and the Directors' emoluments.

All Directors, executives and employees have the opportunity to qualify for participation in the Employee Incentive Option Scheme, which provides incentives based upon share price growth.

Remuneration Committee

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of an experienced and high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and superannuation salary sacrifice.

It is the Remuneration Committee's policy that employment letters are issued to Directors and Executives. These letters contain their responsibilities and remuneration paid.

Remuneration structure

Non-Executive Directors

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time-to-time by a general meeting. The latest determination was at the Annual General Meeting held 18 November 2003 when shareholders approved an aggregate remuneration of \$200,000 per annum to be apportioned amongst non-executive Directors.

Non-Executive Directors are required to sign a Letter of Appointment that outlines the Director's duties and responsibilities and the remuneration fee to be paid to that Director in carrying out their duties. This fee covers both the Board and any committee position where the Non-Executive Director is a member. The Non-Executive Director's emoluments are comparable to similar companies in the technology industry. There is no formal link between the economic entity's performance and these emoluments. Non-Executive Directors have previously been granted options under the Employee Incentive Scheme as a form of remuneration that replaces a cash payment for carrying out duties as a Director of the Company and was considered to be fair as compared to options issued to other employees at that time.

Remuneration structure (continued)

Executive Directors and senior management

Transol aims to reward its executives with a level and mix of remuneration commensurate with their position and responsibilities within the economic entity, so as to reward executives for meeting or exceeding targets set by reference to appropriate benchmarks; align the interests of executives with those of shareholders; and ensure remuneration is competitive by market standards.

It is the Remuneration Committee's policy that employment contracts must be entered into with the Chief Executive Officer and senior executives. Remuneration consists of fixed remuneration and variable remuneration including the issue of shares and options as a short term and long-term incentive. The proportion of shares and options issued is based upon the level of experience and knowledge of the global payment industry that is brought to the Company with the expectation that executives will secure significant contracts for the benefit of the Company and its shareholders.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Remuneration Committee as part of an assessment on that executive's performance. The Remuneration Committee has access to external independent advice if necessary.

The variable remuneration is linked to the achievement of certain performance targets set by reference to appropriate benchmarks.

Details regarding Director and Specified Executive emoluments for the financial year ended 30 June 2005 are found below.

Remuneration of Directors and Specified Executives

Name of Director / Executive	Primary	Post Employment	Equity		
	Salary & Fees	Superannuation	Options	Shares	Total
	\$	\$	\$	\$	\$
Non-Executive Directors					
Martin Ralston	54,000	4,455	-	-	58,455
Angus Edgar	48,000	3,960	-	-	51,960
Nick Palmer	42,000	3,465	-	-	45,465
Andrew Metcalfe	-	-	-	-	-
Executive Directors					
Rob Ciolli	140,302	13,645	-	61,361	215,308
Bronwen Coulstock	105,728	9,516	-	61,361	176,605
Total Remuneration:					
Directors	390,030	35,041	-	122,722	547,793
Specified Executives:					
David Cochrane	70,452	2,819	-	-	73,271
Russell Cook	27,170	2,271	-	-	29,441
Claire Hunter	77,141	5,845	2,914	-	85,900
Bill Kroske	140,680	5,627	-	-	146,307
Peter Darbyshire	42,424	10,667	-	-	53,091
Total Remuneration:					
Specified Executives	357,867	27,229	2,914	-	388,010

Option Holdings of Directors and Specified Executives

	Balance at beginning of period	Granted as remuneration	Options exercised	Balance at end of period	Vested at 30 June 2005	Exercisable at 30 June 2005
	1 July 2004			30 June 2005		
Parent Entity Directors						
Martin Ralston	600,000	-	-	600,000	600,000	600,000
Robert Ciolli	-	-	-	-	-	-
Bronwen Ciolli (Coulstock)	-	-	-	-	-	-
Angus Edgar	4,000,000	-	-	4,000,000	-	-
Nick Palmer	500,000	-	-	500,000	500,000	500,000
Total	5,100,000	-	-	5,100,000	1,100,000	1,100,000
Executives						
David Cochrane	-	-	-	-	-	-
Russell Cook	-	-	-	-	-	-
Claire Hunter	70,000	15,000	-	85,000	-	-
William Kroske	200,000	-	(200,000)	-	-	-
Total	270,000	15,000	(200,000)	85,000	-	-

All security holdings shown in this table are pre-consolidation. Following shareholders approval on 22 May 2006, the share capital was reduced on a 1 for 2 basis on 29 May 2006.

Remuneration structure (cont'd)

(1) Milestone Shares; the issue to vendor shareholders of 2,000,000 ordinary shares (pre 1 for 2 May 2006-consolidation) at \$0.10 (10 cents) per share was approved by shareholders at a General Meeting held on 15th August 2003. As at 30 June 2005, 4,000,000 (pre-consolidation) milestone shares have been issued following the Company reaching pre-determined milestones associated with the number of contracted approaches.

(2) Short-term incentives; none

(3) Long term incentives; none

Company Performance

Refer to the Chairman's Letter to Shareholders and Corporate Information above.

Fair value of options

The Company uses the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures for Disclosing Entities" and the pending AASB 2 "Share-based Payment" prospectively for all options granted to Directors and relevant executives, which have not vested as at 1 January 2005. The fair value of such grants is being amortised and disclosed as part of Director and executive emoluments on a straight-line basis over the vesting period.

From 1 July 2004, options granted as part of Director and executive emoluments have been valued using Black-Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying and the expected life of the option.

The fair value of each option is estimated on the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions used for grants made during the year ended 30 June 2005:

	2005	2004
Dividend yield	0%	0%
Expected volatility	0%	0%
Historical volatility	70%	0%
Risk-free interest rate	5.11%	5.37%
Expected life of option	5 years	5 years

The dividend yield reflects the assumption that dividends will not be paid during the option period. The expected life of the options is based on the term of the option and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Directors' Meetings

The number of meetings of Directors (including meetings of Committees of Directors) held during the 2004/05 financial year and the number of meetings attended by each Director was as follows:

Name of Director	Directors' Meetings	Board Committees	
		Audit & Risk	Nomination & Remuneration
Number of Meetings held:	25	3	1
Number of Meetings attended:			
Martin Ralston	24	3	1
Robert Ciolli	25	-	-
Bronwen Ciolli (Coulstock)	25	-	-
Angus Edgar	24	3	1
Nick Palmer	24	3	-
Andrew Metcalfe (Attended all as Company Secretary)	-	-	-

Committee Membership

As at the date of this report the Company had formed an Audit & Risk Committee and a Nomination & Remuneration Committee. Members acting on the committees of the Board were:

- Audit & Risk Committee: Andrew Metcalfe (Chairman), Martin Ralston and Angus Edgar.
- Nomination and Remuneration Committee: Martin Ralston (Chairman), Angus Edgar and Andrew Metcalfe.

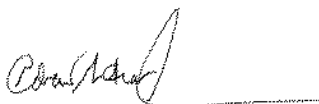
Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Transol Corporation Limited support and have adhered to the principles of good corporate governance. The Company's corporate governance statement is contained in the following section of this annual report.

Auditor Independence

The lead Auditor's Independence Declaration for the year ended 30 June 2005 and up to the date of this report has been received and can be found attached to this Directors' Report.

Signed in accordance with a resolution of the Board of Directors.



Andrew Metcalfe

Director

Dated this: 29 September 2006

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL



Melbourne
Bentleys MRI
ABN 82 667 316 249
Audit & Assurance Services Division

Level 7, 114 William Street
Melbourne Vic 3000

GPO Box 2266
Melbourne Vic 3001

T +61 3 9274 0600
F +61 3 9274 0738

audit@meib.bentleys.com.au
www.bentleys.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF TRANSOL CORPORATION LTD**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2005 there have been:

- a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

**BENTLEYS MRI
CHARTERED ACCOUNTANTS**

**MARTIN FENSOME
PARTNER**

Dated in Melbourne on this 29th day of September 2006



Chartered Accountants

A member of Bentleys MRI, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practising as Bentleys MRI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

The Board of Directors ("Board") of Transol Corporation Limited ("Transol" or the "Company") has adopted Corporate Governance policies and procedures broadly in line with the ASX Corporate Governance Council's published guidelines as set out in its "Principles of Good Corporate Governance and Best Practice Recommendations".

1. Board Charter

a. *Role of the Board and Management*

The Board together with senior management are collectively experienced in the identification and management of resources assets.

The Board is responsible for setting corporate objectives and ensuring appropriate management is in place to devise and implement a business strategy to achieve those objectives. The Board appoints the Managing Director and, on the advice of the Managing Director, the Chief Financial Officer and the Company Secretary. The Board approves and monitors management's corporate strategy and performance objectives for Transol. Under the oversight of the Board's Audit and Risk Committee, the Board monitors systems of risk management, compliance and financial reporting. The Board is responsible for approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures of assets.

Management has delegated authority from the Board for the day to day administration of its assets, including ensuring that the assets are adequately insured; that detailed market investigations and effective due diligence is carried out on proposed investments or acquisitions; that capital required to fund research and development activity as well as general working capital requirements is adequate; that subject to the responsibility of the Board's Audit and Risk Committee, there is effective risk management, financial management and compliance management of Company's assets.

b. *Transol Board Structure*

The current Board is comprised of three Directors, two of whom are independent Directors.

Name	Position	Term in Office
Martin Ralston	Non-Executive Chairman	Appointed 8 October 2003
Angus Edgar	Non-Executive Director	Appointed 28 May 2003
Andrew Metcalfe	Non-Executive Director	Appointed 14 June 2006

Each Director is required to disclose any interest which might create a potential conflict of interest with their duties as a Director of Transol or which would affect their independence.

In accordance with the ASX Corporate Governance Council's published guidelines the Board has met the definition that no independent Director holds more than 5% of the total units on issue.

The definition of "Independent Director" is one who is a Non-Executive Director and has met the guidelines under ASX Principle 2.1.

Directors are appointed in accordance with the Constitution of Transol and are re-elected to that position by shareholders every three years.

The Company supports the appointment of Directors who bring a wide range of business and professional skills and experience; qualifications and experience of Directors are recorded in the previous section.

Pursuant to ASX Principle 4.5, the Company has established an Audit & Risk Committee which includes two independent Directors, of which the Chairperson is not the Chairperson of the Board of the Company.

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES (Cont'd)

2. Code of Conduct and Conflicts of Interest

a. *Conduct of Management and Staff*

The Board of Transol is committed to the Transol Code of Conduct. We communicate this to management and require our staff to adhere to our core values, together with a number of other key attributes that have been identified as being imperative to the success of Transol.

Employees must comply with all laws and regulations. This includes understanding the laws and regulations relevant to their work and complying with the legal requirements of the jurisdictions in which they operate.

Employees should not engage in activities or hold or trade assets that involve, or could appear to involve, a conflict between their personal interests and the interests of the Company.

Management is responsible to the Board, through the Managing Director, for the group's performance under this Code.

Under the Managing Director, senior management have operational responsibility for ensuring compliance with the Code.

The Code of Conduct aims to promote ethical and responsible decision making. Our employment practices include:

- Induction training for all staff;
- A Valuing Diversity, Equal Employment Opportunity Policy;
- An Occupational Health and Safety Policy;
- Assistance in professional development opportunities and industry based training for staff; and

The Code of Conduct requires all staff to exhibit honesty, loyalty, integrity and professionalism in their dealings both internally and externally. We strive for good corporate governance and industry best practice. We specifically require employees to:

- Avoid situations which may give rise to a conflict of interest;
- Avoid situations where they may gain any benefit which competes with Transol's business;
- Read and confirm that they understand Transol's policies;
- Comply with laws and regulations;
- Properly use Transol's assets for legitimate business purposes; and
- Maintain confidentiality in both Transol's business and the information of its clients and shareholders.

The Board has resolved that the Code of Conduct extends to guide compliance with legal and other obligations with respect to stakeholders.

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES (Cont'd)

b. Conflicts of Interest

The Board of Transol is committed to good corporate governance and aims for continuous improvement in these practices. We embrace high ethical standards and require our staff to demonstrate both personal and corporate responsibility. Directors, officers and employees are required to safeguard the integrity of the Company and to act in the best interests of our stakeholders (generally, shareholders and clients).

There must be no conflict, or perception of a conflict, between the interests of any Transol Director, officer or employee and the responsibility of that person to the Company and to the stakeholders. All Transol Directors, officers and employees may never improperly use their position for personal or private gain to themselves, a family member, or any other person (we shall call these "associates").

As a general rule, a conflict of interest, or the perception of a conflict, may arise if their duties involve any actual or potential business with a person, entity or organisation in which they or their associates have a substantial personal or financial interest. Accordingly, without prior Board approval, Directors, officers and employees may not act on behalf of Transol in connection with any business or potential business involving any person, entity or organisation in which they or their associates have direct or indirect managerial influence (such as serving as an executive officer, Director, general partner or similar position or who hold a substantial ownership or beneficial interest); and where a potential conflict exists, this should be disclosed to the Chairperson prior to any dealings taking place.

3. Audit and Risk Committee

a. Purpose

The Audit and Risk Committee plays a key role in assisting the Board of Directors with its responsibilities relating to accounting, internal control systems, reporting practices and risk management, and ensuring the independence of the Company auditor. The charter for this Committee incorporates policies and procedures to ensure an effective focus from an independent perspective.

The Audit and Risk Committee oversees and appraises the quality of the audits conducted by the auditors of the Company and emphasises areas where the Committee believes special attention is required. The current external auditors, Bentleys MRI, were appointed as a result of an external tender process conducted in 2004. Their appointment will be reviewed periodically in line with industry best practice. Transol believes in the ongoing assessment of our audit arrangements and will comply with any regulatory requirements to rotate our external audit partner.

The Audit and Risk Committee also reviews the effectiveness of administrative, operating and accounting controls.

b. Composition

The composition of the Committee is determined in accordance with the following principles:

- predominantly Non-Executive Directors with a majority of the Committee being independent Directors;
- an independent Chairperson, who is not Chairperson of the Board, and is preferably a qualified accountant; with another independent member having an understanding of the industry in which the entity operates;
- at least three members.

Transol's Audit and Risk Committee complies with each of the principles listed above.

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES (Cont'd)

4. Risk Management System Statement

The Board takes a proactive approach to the Company's risk management and internal compliance and control system.

The Board believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee which reflects the current size of the Board.

The Board is responsible for ensuring that risks, and also opportunities are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

5. Board Continuous Disclosure Policy

The ASX defines continuous disclosure in its Listing Rules as "the timely advising of information to keep the market informed of events and developments as they occur". The Listing Rules and the Corporations Act require that a listed Company disclose to the market matters which a reasonable person would expect to have a material effect on the price or value of the Company's securities. A reasonable person is taken to expect information to have a material effect on the price or value of securities if it would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the securities.

Transol's Continuous Disclosure Policy is designed to meet market best practice, ensuring that all interested parties have an equal opportunity to obtain information which is issued by Transol.

The procedures, which have been developed to comply with these rules, include immediate reporting of any matter which could potentially have a material effect, via established reporting lines to the Company Secretary. The Company Secretary is responsible for monitoring information which could be price sensitive, liaising with the Managing Director and the Chairperson to make an initial assessment, and escalating to the Board for disclosure of such information where practicable. The Managing Director monitors daily activity to ascertain what matters should be considered for disclosure and as soon as a matter is appropriate for disclosure the Managing Director must immediately notify the Chairperson and Company Secretary. It is noted that Transol must not delay giving this information to the ASX; thus, if the Board is not immediately available, the Company cannot await formal sign-off and the Company Secretary will need to lodge such information after consultation with the Managing Director or the Chairperson.

Price-sensitive information will be disclosed, in the first instance, to the Australian Stock Exchange and disclosures to the market will then be placed on Transol's website. Material information must not be selectively disclosed (i.e. to analysts, the media or shareholders) prior to being announced to the ASX, and all media releases must be referred to the Board for approval prior to any release.

6. Trading Policy

Transol's Trading Policy ensures that unpublished price sensitive information about Transol is not used in an unlawful manner. The main provisions of this policy are:

- The specific requirements of the Corporations Act;
- Prohibition of short term trading in Transol shares;
- When Directors, Officers and staff may trade in Transol shares; and
- Prior notification by Directors, Officers and employees of their intention to deal in Transol shares.

The Policy is as follows:

"Trading of securities by Directors, officers and employees is only allowed when that person is not in possession of price sensitive information that is not generally available to the market."

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES (Cont'd)

7. Shareholder Communications

The Board of Transol has adopted a communications strategy to promote effective communication with shareholders.

In accordance with the Company's regulatory obligations, certain periodic reporting will also be made to shareholders, including the Annual Report, and Quarterly Reports. Our aim is for informed shareholders.

Prior to being placed into administration the Company maintained a web site and published on the website all relevant announcements made to the market. Annual reports were also provided.

In accordance with ASX Principle 6.2, the external auditors are requested to attend the annual general meeting and are available to answer shareholder's questions about the conduct of the audit and preparation of the Auditor's Report.

8. Board Remuneration and Nomination Policy

All remuneration and superannuation for Directors and employees are paid by the Company.

The remuneration policy is found in the Directors' Report. The composition of the Remuneration Committee is as follows:

- at least three members
- predominantly Non-Executive members with the majority of the committee being independent Directors.

The Company has a Nomination and Remuneration Committee that is responsible for the review and determination of Directors' fees and executive management salaries.

The Board is responsible for Performance Evaluation of the members of the Board and key executives against both measurable and qualitative indicators. A performance evaluation will not be undertaken by the Board until the Company securities are successfully re-admitted to the ASX.

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. Due to the circumstances described in item 2 of this declaration, it is not possible to state that the financial statements and notes as set out on the following pages of the parent entity and of the economic entity,
 - a) are in accordance with the Corporations Act 2001
 - b) comply with Accounting Standards; and
 - c) give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the company and economic entity;
2. Due to the Parent Entity being subject to external administration and Receiver & Manager appointed for the period 15 July 2005 to 7 February 2006 and the associated disposal of the US based Red Light Camera business, complete records have not been able to be located. The effect on the financial report for the financial year ending 30 June 2005 is as follows:

At 14 July 2005 (the date of the appointment of Joint Administrators) the Company had not completed its financial report for the financial year ending 30 June 2005. The management and affairs of the Company were not under the control of the Directors during the period in which the affairs were under the control of the Receiver & Manager. During that period books and records of the economic entity required for the preparation of the financial reports were either not preserved or made available to the Company and its accountants. Subsequent to the resignation of the Receiver & Manager and return of the management and control of the Company's affairs to the Directors it has not been possible to obtain all the books and records of the entire economic entity for the relevant period, particularly books and records which would have been held by the Company's former USA subsidiary Transol USA, Inc and its accountants with certainty or at all. This has resulted in delays in preparing the financial report and Directors' Report which has resulted in delays in the completion of the audit and the Directors being unable to reconstruct complete financial and corporate records relating to the period. The Company has prepared this financial report to the best of its knowledge, based on the best information available to it.

The Directors are of the opinion that it is not possible to state that the financial statements and notes are in accordance with the requirements of the Corporations Act 2001 due to the lack of records and certainty in connection with the books and records of the economic entity for the relevant period, particularly the Company's former USA subsidiary Transol USA, Inc and its Canadian Subsidiary.

It is noted by the Directors that the disposal of the Red Light Camera business and application of the proceeds of the sale to the secured creditor, costs of the sale and costs of the Receiver & Manager mean that while historical records are affected and that this may result in the financial information for the period in which the business was disposed of not being complete, the absence of records is not expected to significantly detract from the Company's ability to identify and maintain proper books and records for its continuing CLTNet® business and the assets it does retain. Therefore the absence of records due to the external administration and disposal by the Receiver & Manager primarily affects the historical records of the economic entity rather than its ability to continue its retained business and operations.

3. Directors have been given declarations required by section 295A of the Corporations Act, which declarations were subject to the same qualifications as the qualifications of the Directors' opinion set out above.
4. As at the date of this report, in the directors opinion, they believe the company will be able to pay its debts as and when they become due and payable, as a prospectus offer is being lodged immediately following the issue of this statement to raise a minimum \$1.5 million that will enable the company to be recapitalised and meet its debts when they become due and payable.

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

Signed in accordance with a resolution of the Board of Directors

A handwritten signature in black ink, appearing to read 'Andrew Metcalfe', is written over a horizontal line. The signature is cursive and somewhat stylized.

Andrew Metcalfe
Director

Dated this: 29 September 2006

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005**

	Note	Economic Entity		Parent Entity	
		2005 \$	2004 \$	2005 \$	2004 \$
Revenue from ordinary activities	3	6,351,209	655,308	43	13,807
Materials and consumables used		(4,814,738)	(215,311)	-	-
Administration and corporate expense		(1,496,593)	(604,687)	(117,702)	(211,370)
Advertising and marketing expense		(153,022)	(119,500)	(45,021)	(5,335)
Amortisation and depreciation expense	4	(252,533)	(505,814)	-	-
Consultancy expense		-	(142,756)	-	(94,510)
Employee benefits expense	4	(3,376,031)	(1,481,432)	(324,044)	(21,064)
Legal and Professional Fees		(2,079,296)	(437,088)	(59,000)	(26,704)
Occupancy		-	(216,960)	-	-
Research and development expense		(329,320)	(270,577)	-	-
Travel and accommodation expense		(621,680)	(283,468)	-	-
Write-off Goodwill		(1,630,946)	-	(400,000)	-
Write-off loans to subsidiaries		-	-	(10,297,630)	-
Write-off Investment in subsidiaries		-	-	(2,000,000)	-
Write-off Receivables		(33,333)	-	(33,333)	-
Net Foreign Exchange Gain (Loss)		(142,120)	-	-	-
Other expenses from ordinary activities		(70,624)	(144,255)	(9,290)	-
Loss from Ordinary Activities before Income Tax Expense		(8,649,027)	(3,766,540)	(13,285,977)	(345,176)
Income tax benefit/(expense) relating to ordinary activities	5	-	-	-	-
Net Loss Attributable to Members of the Parent Entity	16	(8,649,027)	(3,766,540)	(13,285,977)	(345,176)
Net increase in foreign currency translation reserve	16	196,779	(26,959)	-	-
Net decrease in Asset Revaluation Reserve	16	(4,000,000)	-	-	-
Total revenues, expenses and valuation adjustments attributable to members of Transol Corporation Limited recognised directly in equity		(3,803,221)	(26,959)	-	-
Total Changes in Equity other than those resulting from Transactions with Owners as Owners Attributable to Members of Transol Corporation Limited		(12,452,248)	(3,793,499)	(13,285,977)	(345,176)
Earnings per Share					
Basic loss per share (cents per share)	17	(10.92)	(6.45)		
Diluted loss per share (cents per share)	17	(10.92)	(6.45)		

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005**

	Note	Economic Entity		Parent Entity	
		2005 \$	2004 \$	2005 \$	2004 \$
Current Assets					
Cash assets	25(a)	1,989,764	2,656,969	8,977	4,550
Receivables	7	289,530	114,358	51,022	57,636
Inventory	8	616,791	1,249,203	-	-
Other financial assets	9	76,285	90,334	-	6,548,320
Total Current Assets		2,972,370	4,110,864	59,999	6,610,506
Non-Current Assets					
Other financial assets	9	-	-	-	2,000,000
Property, plant & equipment	10	379,850	200,770	-	-
Intangible Assets	11	-	5,617,263	-	200,000
Total Non-Current Assets		379,850	5,818,033	-	2,200,000
Total Assets		3,352,220	9,928,897	59,999	8,810,506
Current Liabilities					
Payables	12	1,826,205	535,749	104,164	108,385
Provisions	13	118,786	29,372	-	-
Interest-bearing liabilities	14	113,179	53,992	47,192	-
Total Current Liabilities		2,058,170	619,113	151,356	108,385
Non-Current Liabilities					
Interest-bearing Liabilities	14	-	65,986	-	-
Total Non-Current Liabilities		-	65,986	-	-
Total Liabilities		2,058,170	685,099	151,356	108,385
Net Assets		1,294,050	9,243,798	(91,357)	8,702,121
Equity					
Contributed equity	15	13,539,797	9,037,297	13,539,797	9,047,297
Reserves	16	169,820	3,973,041	-	-
Accumulated losses	16	(12,415,567)	(3,766,540)	(13,631,154)	(345,176)
Total Equity		1,294,050	9,243,798	(91,357)	8,702,121

The accompanying notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005**

	Note	Economic Entity		Parent Entity	
		2005 \$	2004 \$	2005 \$	2004 \$
Cash Flows from Operating Activities					
Receipts from customers		6,758,099	290,521	-	-
Payments to suppliers and employees		(11,498,259)	(5,050,367)	(476,189)	(225,230)
Interest received		32,822	103,889	43	13,807
Interest paid		(11,115)	-	-	-
Receipts from other activities		-	260,898	-	-
Net cash provided by/(used in) operating activities	25(b)	(4,718,453)	(4,395,059)	(476,146)	(211,423)
Cash Flows from Investing Activities					
Payment for property, plant and equipment		(261,393)	(224,103)	-	-
Payment for controlled entity, net of cash required	25(c)	-	(1,735,523)	-	(200,000)
Investment in controlled entity		-	-	-	(2,000,000)
Net cash provided by/(used in) investing activities		(261,393)	(1,959,626)	-	(2,200,000)
Cash Flows from Financing Activities					
Proceeds from issues of equity securities		4,544,500	8,878,983	4,544,500	8,878,983
Payment of share issue costs		(242,000)	(629,947)	(242,000)	(619,947)
Proceeds from borrowing		-	119,978	-	-
Repayment of borrowings		-	(75,000)	-	(75,000)
Advances to controlled entities		-	-	(3,821,927)	(6,485,703)
Net cash provided by/(used in) financing activities		4,302,500	8,294,014	480,573	(1,698,333)
Net Increase/(Decrease) In Cash Held		(677,346)	1,939,329	4,427	(713,090)
Cash at Beginning of Financial Year		2,656,969	717,640	4,550	717,640
Effects of exchange rates on cash holdings in foreign currencies		10,141	-	-	-
Cash at End of Financial Year	25(a)	1,989,764	2,656,969	8,977	4,550

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

1. Summary of Significant Accounting Policies

Incomplete Financial Information

At 14 July 2005 (the date of the appointment of joint administrators) the Company had not completed its financial report for the financial year ending 30 June 2005. The management and affairs of the Company were not under the control of the Directors during the period in which the affairs were under the control of the Receiver & Manager. During that period books and records of the economic entity required for the preparation of the financial reports were either not preserved or made available to the Company and its accountants. Subsequent to the resignation of the Receiver & Manager and return of the management and control of the Company's affairs to the Directors it has not been possible to obtain records of the entire economic entity for the relevant period, particularly records which would have been held by the Company's former US subsidiaries, Transol USA Inc. and Transol Inc. and its accountants with certainty or at all. This has resulted in delays in preparing the financial report and Directors' Report and the completion of the audit of those reports and the Directors being unable to reconstruct complete financial and corporate records relating to the period. The Company has prepared this financial report to the best of its knowledge, based on the best information available to it.

Financial Reporting Framework

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

The financial report covers the economic entity of Transol Corporation Limited and controlled entities, and Transol Corporation Limited as an individual parent entity. Transol Corporation Limited is a listed public Company (currently suspended), incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies adopted are consistent with those of the previous year. Comparative information is re-stated to be presented on a consistent basis where appropriate.

Going Concern Assumption

The company experienced operating losses and negative operating cash flows during the year ended 30 June 2005. The continuing viability of the company and its ability to continue as a going concern and meet its debts and commitments as they fall due are subject to the company being successful:

- in establishing revenue from its investment in CLTNet® current projects and sales strategies
- in accessing additional capital

Subsequent to year end, the appointment of Joint & Several Administrators and Receiver and Manager give rise to significant uncertainty whether the economic entity will continue as a going concern and, therefore, whether the economic entity will be able to pay its debts as they fall due and whether the economic entity will recognise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

1. Summary of Significant Accounting Policies (continued)

Principles of Consolidation

A controlled entity is any entity controlled by Transol Corporation Limited. Control exists where Transol Corporation Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Transol Corporation Limited to achieve the objectives of Transol Corporation Limited. A list of controlled entities is contained in Note 18 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

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

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, net of any outstanding bank overdrafts, and money market investments readily convertible to cash within two working days.

Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Work in Progress

Work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis. The carrying amount of work in progress 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 which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Revenues are recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

1. Summary of Significant Accounting Policies (continued)

Plant and Equipment

Plant and equipment are measured on the cost basis.

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 cash flows which will be received from the assets employment and subsequent disposal. The expected cash flows have not been discounted to their present values in determining recoverable amounts.

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

Depreciation:

The depreciable value of all fixed assets including building and capitalized lease assets, but excluding freehold land, is depreciated on a straight-line basis over their estimated useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are

Class of Asset	Depreciation Rate	
	2005	2004
Plant and equipment	33.3%	33.3%
Furniture and fixtures	20%	20%
Leasehold improvements	33.3%	33.3%
Computer Equipment and Software	33.3%	33.3%
Motor vehicles	20%	20%
Plant and equipment under lease	33.3%	33.3%
R&D Test Equipment	33.3%	33.3%

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

1. Summary of Significant Accounting Policies (continued)

Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets for non-listed investments.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Research and Development Expenditure

Research and Development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Deferred Research and Development expenditure is amortised on a straight line method over the period during which the related benefits are expected to be realised, once commercial production has commenced.

Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of ten years. The balances are reviewed annually by Directors and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

Patents and Trademarks

Patents and Trademarks are valued in the accounts at Directors' Valuation. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realized or unrealized, are included in profit from ordinary activities as they arise.

The assets and liabilities of the overseas controlled entities, which are integrated foreign operations, are translated at year-end rates and operating results are translated at the rates ruling at the end of each month. Gains and losses arising on translation are taken directly to the foreign currency translation reserve.

1. Summary of Significant Accounting Policies (continued)

Payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Revenue

Revenue from the sale of goods is recognized upon the delivery of goods to customers.

Interest revenue is recognized on a proportional basis taking into account the interest rates applicable to the financial assets.

Rental revenue is recognised when the right to receive a rental has been established.

Revenue from the rendering of a service is recognized upon the delivery of the service to the customers.

Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Income Tax

Income taxes:

The economic entity adopts the liability method of tax-effect accounting whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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 economic 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.

Goods and Services Tax (GST):

Revenues, expenses and assets are recognized net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognized as part of the cost of acquisition of the asset or as part of an item of the expense

Receivables and payables in the statement of financial position are shown inclusive of GST.

Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

1. Summary of Significant Accounting Policies (continued)

Comparative Figures

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

Earnings per share

Basic EPS is calculated as net loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted EPS is not reported for the year ended 30 June 2005 as the potential ordinary shares are not dilutive. Potential ordinary shares must be treated as dilutive when and only when the conversion to, calling of, or subscription for ordinary shares would decrease (or increase) net profit (or loss) from continuing ordinary operations per shares.

2. Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards

The Company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (A-IFRS) effective for the financial years commencing from 1 January 2005. The adoption of A-IFRS will be reflected in the economic entity's and the parent entity's financial statements for the year ending 30 June 2006. On first time adoption of A-IFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the A-IFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

Transol Corporation Limited's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The Directors are of the opinion that the key material differences Transol Corporation Limited's accounting policies on conversion to A-IFRS and the financial effect of these differences, where known, are disclosed below. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current A-IFRS or interpretation of the A-IFRS requirements changes from the continuing work of Transol Corporation Limited's A-IFRS committee.

The following proforma statement of financial performance and statement of financial position outlines the impact on the current year result and financial position of the Company had the financial statements been prepared using A-IFRS, based on the Directors' accounting policy decisions current at the date of this financial report.

2. Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

	Economic Entity				Parent Entity			
	Existing AGAAP	Share- Based Payments	Amortisation of Goodwill	A-IFRS	Existing AGAAP	Share- Based Payments	Amortisation of Goodwill	A-IFRS
	\$	\$		\$				
Revenue from ordinary activities	6,351,209	-	-	6,351,209	43	-	-	43
Materials and consumables used	(4,814,736)	-	-	(4,814,736)	-	-	-	-
Administration and corporate expense	(1,496,593)	-	-	(1,496,593)	(117,702)	-	-	(117,702)
Advertising and marketing expense	(153,022)	-	-	(153,022)	(45,021)	-	-	(45,021)
Amortisation and depreciation expense	(252,533)	-	170,219	(252,533)	-	-	-	-
Employee benefits expense	(3,376,031)	(83,339)	-	(3,459,370)	(324,044)	(83,339)	-	(407,383)
Legal and Professional Fees	(2,079,296)	-	-	(2,079,296)	(59,000)	-	-	(59,000)
Research and development expense	(329,320)	-	-	(329,320)	-	-	-	-
Travel and accommodation expense	(621,680)	-	-	(621,680)	-	-	-	-
Write-off Goodwill	(1,630,946)	-	(170,219)	(1,630,946)	(400,000)	-	-	(400,000)
Write-off loans to subsidiaries	-	-	-	-	(10,297,630)	-	-	(10,297,630)
Write-off Investment in subsidiaries	-	-	-	-	(2,000,000)	-	-	(2,000,000)
Write-off Receivables	(33,333)	-	-	(33,333)	(33,333)	-	-	(33,333)
Net Foreign Exchange Gain (Loss)	(142,120)	-	-	(142,120)	-	-	-	-
Other expenses from ordinary activities	(70,624)	-	-	(70,624)	(9,290)	-	-	(9,290)
Loss from Ordinary Activities before Income Tax Expense	(8,649,027)	(83,339)	-	(8,732,366)	(13,285,977)	(83,339)	-	(13,369,316)
Income tax benefit/(expense) relating to ordinary activities	-	-	-	-	-	-	-	-
Net Loss Attributable to Members of the Parent Entity	(8,649,027)	(83,339)	-	(8,732,366)	(13,285,977)	(83,339)	-	(13,369,316)

2. Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards (Cont'd)

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Economic Entity			Parent Entity		
	Existing AGAAP	AASB 2: Share- Based Payments	A-IFRS	Existing AGAAP	AASB 2: Share- Based Payments	A-IFRS
Current Assets						
Cash assets	1,989,764	-	1,989,764	8,977	-	8,977
Receivables	289,530	-	289,530	51,022	-	51,022
Inventory	616,791	-	616,791	-	-	-
Other financial assets	76,285	-	76,285	-	-	-
Total Current Assets	2,972,370	-	2,972,370	59,999	-	59,999
Non-Current Assets						
Other financial assets	-	-	-	-	-	-
Property, plant & equipment	379,850	-	379,850	-	-	-
Intangible Assets	-	-	-	-	-	-
Total Non-Current Assets	379,850	-	379,850	-	-	-
Total Assets	3,352,220	-	3,352,220	59,999	-	59,999
Current Liabilities						
Payables	1,826,205	-	1,826,205	104,164	-	104,164
Provisions	118,786	-	118,786	-	-	-
Interest-bearing liabilities	113,179	-	113,179	47,192	-	47,192
Total Current Liabilities	2,058,170	-	2,058,170	151,356	-	151,356
Total Liabilities	2,058,170	-	2,058,170	151,356	-	151,356
Net Assets	1,294,050	-	1,294,050	91,357	-	91,357
Equity						
Contributed equity	13,539,797	-	13,539,797	13,539,797	-	13,539,797
Reserves	169,820	83,339	253,159	-	83,339	83,339
Accumulated losses	(12,415,567)	(83,339)	(12,498,906)	(13,631,154)	(83,339)	(13,714,493)
Total Equity	1,294,050	-	1,294,050	91,357	-	91,357

2. Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards (Cont'd)

The following explanatory notes relate to the proforma financial statements above and describe the differences between the accounting policies under A-IFRS and the current treatment of those items under Australian Generally Accepted Accounting Principles ('AGAAP')

Share-based Payments

Under AGAAP, the Company does not recognise an expense for share-based compensation granted to employees or directors. Under A-IFRS, the fair value of share options issued to employees and directors is determined at grant date and expensed over the expected vesting period of the options. As permitted under A-IFRS first time adoption, the Company will not retrospectively recognise share-based payments that have vested before 1 January 2005.

For the financial year ended 30 June 2005, under A-IFRS, equity will increase by \$83,339 resulting in an increase in reserves as a consequence of the options issued during the year.

Research and Development Expenditure

AASB 138: Intangible Assets requires that costs associated with research be expensed in the period in which they are incurred. In terms of current policy, research costs are capitalised to the statement of financial position where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs.

Financial Instruments

The Directors have elected not to apply the first-time adoption exemption available to the Company to defer the date of transition of AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' to 1 July 2005. There were no adjustments required in the consolidated financial statements for the year ended 30 June 2005.

Goodwill on Consolidation

Impairment testing as at 1 July 2005 confirmed impairment of the \$1,935,523 goodwill less accumulated amortisation of \$304,577 as disclosed in the economic entity's financial statements at 30 June 2005 (a result of subsequent events). The previously amortised goodwill of \$134,358 will be reversed and the total value of \$1,935,523 will be expensed resulting in a corresponding decrease of \$1,630,946 in retained earnings at 1 July 2005.

Patents and Trademarks

The current accounting policy of the consolidated entity is to value Patents and Trademarks ("Patents") in the accounts at Directors' Valuation. The balances are reviewed at each reporting date and any balance representing future benefits for which the realisation is considered to be no longer probable is written off. Amortisation is provided against the carrying amount of the Patents using a sum of the digits method over the 20 year expected useful life of the Patents, commencing from the start of the financial year following capitalisation to the statement of financial position. This method of amortisation reflects lower charges in the early stages of the Patent's expected useful life, which then increase exponentially towards the latter stages of the Patent's expected useful life. AASB 138 Intangible Assets requires intangible assets, such as patents and trademarks, to be initially recognised at cost or fair value attributed to them in a business combination. Intangible assets can only be revalued when an active market exists. The requirement is retrospective which means that there is no option to use the current carrying value under Australian GAAP as the deemed cost on first adoption of IFRS, as was permitted on first time adoption of AASB 1041 Revaluation of Non-Current Assets. The impact for Transol is that the \$4,000,000 revaluation increment resulting from the Directors' valuation of patents and trademarks in the year ended 30 June 2004 will be reversed together with the associated accumulated amortisation charge which at 31 December 2004 was \$9,524, as there is no active market for patents. This adjustment will be made to the opening balance of retained profits on first adoption of IFRS."

Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

Non-current Investments

Under AASB 139: Financial Instruments: Recognition and Measurement, financial assets are required to be classified into four categories, which determines the accounting treatment of the item. The categories and various treatments are:

- held to maturity, measured at amortised cost;
- held for trading, measured at fair value with unrealised gains or losses charged to the profit and loss;
- loans and receivables, measured at amortised cost; and
- available for sale instruments, measured at fair value with unrealised gains or losses taken to equity.

Transol Corporation Limited financial assets comprise available for sale financial instruments. Under AASB 139: Financial Instruments: Recognition and Measurement, the measurement of available for sale instruments at fair value differs to current accounting policy which measures non-current investments at cost with an annual review by Directors to ensure the carrying amounts are not in excess of the recoverable value of the instrument. The impact of the change is likely to increase the value of non-current other financial assets in relation to available for sale instruments.

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first A-IFRS comparative year, and the first time adoption of this standard will apply from 1 July 2005. The economic entity has decided that it will adopt this election and will not restate comparative information for the 30 June 2005 financial year.

Income taxes

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

	Note	Economic Entity		Parent Entity	
		2005 \$	2004 \$	2005 \$	2004 \$
3. Revenue					
<i>Operating Activities</i>					
Sales Revenue					
Goods	4(b)	6,313,045	260,724	-	-
Services		623	29,797	-	-
		6,313,668	290,521	-	-
<i>Rent Revenue</i>					
Other rental revenue		-	30,768	-	-
<i>Interest Revenue</i>					
Other entities		32,822	103,889	43	13,807
		6,346,490	425,178	43	13,807
<i>Non-Operating Activities</i>					
Proceeds from sale of non-current assets					
Foreign Exchange Gains		-	156,969	-	-
Government Grants		-	70,047	-	-
Miscellaneous		4,719	3,114	-	-
		4,719	230,130	-	-
Total Revenue		6,351,209	655,308	43	13,807

4. Profit from Ordinary Activities

The loss from ordinary activities before income tax has been determined after:

(a) Expenses

Cost of sales		4,814,738	215,311	-	-
Depreciation of non-current assets					
- Office furniture & equipment		1,740	23,283	-	-
- Computer equipment		44,525	-	-	-
- Computer software		10,697	47	-	-
- Machinery & Equipment		14,311	-	-	-
- R&D Test Equipment		11,041	2	-	-
Amortisation					
- Research and development expenditure		-	348,124	-	-
- Goodwill		170,219	134,358	-	-
Other provisions					
- Provision for annual leave		118,786	29,372	-	-
Rental expense on operating lease		284,734	160,219	-	-
Write-down of non-current investments to recoverable amount		-	29,372	-	-
Net Foreign Exchange Loss		142,120	-	-	-
Write-off of property, plant and equipment		10,752	-	-	-

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
(b) Significant revenue				
Sale relating to Sale and Leaseback Agreement with Rentworks Limited(i)	5,700,000	-	-	-
(c) Significant expenses				
Write-off loans to subsidiaries	-	-	10,297,630	-
Write-off investment in subsidiaries	-	-	2,000,000	-
Asset Write-off relating to Sale and Leaseback Agreement with Rentworks Limited(i)	532,598	-	-	-
Write-off Goodwill	1,630,946	-	400,000	-

(i) Transol entered into a A\$15 million sale and leaseback funding arrangement with Rentworks Limited, a subsidiary of Alleasing Financial Australia Limited (AFA), that provided funding for 100 approaches. As at 30 June 2005, Transol had commissioned approaches resulting in the drawdown of \$5.7 million from Rentworks Limited;

5. Income Tax

(a) The prima facie tax, using tax rates applicable, on profit/(losses) from ordinary activities differs from the income tax provided in the financial statements as follows:

Income tax expense/(benefit) calculated at 30% (2004: 30%) of operating loss	(2,594,708)	(1,129,962)	(3,985,793)	(103,553)
Tax effect of permanent differences:	1,123,073	-	3,836,989	-
Timing differences and tax losses not brought to account as future income tax benefits	1,471,635	1,129,962	148,804	103,553
Income tax expense/(benefit) attributable to operating profit/(loss)	-	-	-	-

(b) Future income tax benefits not brought to account as assets:

Tax losses – revenue	2,601,597	1,129,962	252,357	103,553
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The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

Assessable income is derived of a nature and of sufficient amount to enable the benefit from the deductions to be realised;

Conditions for deductibility imposed by the law are complied with; and

No changes in tax legislation adversely affect the realisation of the benefit from the deductions.

	Note	Economic Entity		Parent Entity	
		2005 \$	2004 \$	2005 \$	2004 \$
6. Remuneration of Auditors					
Amounts received or due and receivable by the auditors of the economic entity:					
Audit or review of the financial report		49,000	23,557	49,000	23,557
Other audit services in relation to the entity		-	300	-	300
		49,000	23,857	49,000	23,857
7. Receivables					
Trade debtors		148,965	2,782	-	-
Other debtors		67,665	111,576	-	57,636
Prepayments		72,900	-	51,022	-
		289,530	114,358	51,022	57,636
8. Inventory					
At cost					
Materials and consumables		398,262	652,576	-	-
Work in progress		218,529	596,627	-	-
		616,791	1,249,203	-	-
9. Other Financial Assets					
Current:					
Goods and services tax recoverable		76,285	90,334	-	62,617
Loans advanced to:					
Wholly-owned controlled entities		-	-	-	6,485,703
		76,285	90,334	-	6,548,320
Non-current:					
Shares in controlled entities, at cost	18	-	-	2,000,000	2,000,000
Write-off investment in subsidiary		-	-	(2,000,000)	-
		-	-	-	2,000,000

10. Property, Plant and Equipment

At cost & accumulated depreciation of each class	Economic Entity		Parent Entity	
	2005 \$	2004 \$	2005 \$	2004 \$
<u>Leasehold Improvements</u>				
Carrying amount at beginning of year	-	-	-	-
Additions	8,200	-	-	-
Write downs	(8,200)	-	-	-
Carrying amount at end of year	-	-	-	-
<u>Office Furniture</u>				
Carrying amount at beginning of year	197,081	-	-	-
Additions	-	220,364	-	-
Write downs	(47,402)	-	-	-
Accumulated depreciation	(25,023)	(23,283)	-	-
Carrying amount at end of year	124,656	197,081	-	-
<u>Computer Equipment</u>				
Carrying amount at beginning of year	-	-	-	-
Additions	171,365	-	-	-
Accumulated depreciation	(44,525)	-	-	-
Carrying amount at end of year	126,840	-	-	-
<u>Computer Software</u>				
Carrying amount at beginning of year	1,938	-	-	-
Additions	33,216	1,985	-	-
Accumulated depreciation	(10,744)	(47)	-	-
Carrying amount at end of year	24,410	1,938	-	-
<u>Machinery & Equipment</u>				
Carrying amount at beginning of year	-	-	-	-
Additions	84,164	-	-	-
Accumulated depreciation	(14,311)	-	-	-
Carrying amount at end of year	69,853	-	-	-
<u>R&D Test Equipment</u>				
Carrying amount at beginning of year	1,751	-	-	-
Additions	43,383	1,753	-	-
Accumulated depreciation	(11,043)	(2)	-	-
Carrying amount at end of year	34,091	1,751	-	-
<u>Total</u>				
Carrying amount at beginning of year	200,770	-	-	-
Additions	340,328	224,103	-	-
Write downs	(55,602)	-	-	-
Accumulated depreciation	(105,646)	(23,333)	-	-
Carrying amount at end of year	379,850	200,770	-	-
At Cost	485,496	224,103	-	-
Accumulated depreciation	(105,646)	(23,333)	-	-
Carrying amount at end of year	379,850	200,770	-	-

Aggregate depreciation recognised as an expense during the year is referred to in Note 4 to the Financial Statements

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
11. Intangible Assets				
Patents and Trademarks	4,014,129	4,014,129	-	-
Preliminary Expenses	1,969	1,969	-	-
Less Write-off of Patents and Trademarks	(4,016,098)	-	-	-
Goodwill	1,935,523	1,735,523	400,000	200,000
Less Amortisation of Goodwill	(304,577)	(134,358)	-	-
Less Write-off of Goodwill	(1,630,946)	-	(400,000)	-
	-	5,617,263	-	200,000

Patents & Trademarks¹ have been written off during the year as realisation of future benefits is considered to be no longer probable as a result of disposal of the Red Light Camera business subsequent to year end.

12. Payables

Current:

Unsecured:

Trade creditors	948,805	289,944	11,324	14,620
Sundry creditors and accruals	828,709	85,787	85,616	67,712
Advances on Contracts	-	72,619	-	-
Payroll tax payable	1,783	-	998	-
Employee Superannuation	1,710	9,083	1,710	8,059
PAYG Tax Payable	45,198	78,316	4,516	17,994

	1,826,205	535,749	104,164	108,385
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13. Provisions

Current:

Employee Entitlements	118,786	29,273	-	-
	118,786	29,372	-	-

Number of employees at year-end	No. 36	No. 30	No. 6	No. 6
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14. Interest Bearing Liabilities

	\$	\$	\$	\$
Current:				
Lease Liability	113,179	53,992	47,192	-
Non-Current:				
Lease Liability	-	65,986	-	-

	Economic Entity			
	2005		2004	
	\$		\$	
15. Contributed Equity				
100,298,515 fully paid ordinary shares (2004: 75,638,515)	13,539,797		9,037,297	
	No.	2005	No.	2004
		\$		\$
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	75,638,515	9,037,297	16,788,488	15,470,175
Issue of shares to acquire Transol Pty Ltd 15 August 2003	-	-	20,000,000	2,000,000
Issue of shares at 10 cents 18 August 2003	-	-	8,480,027	848,003
Conversion of Debt at 10 cents 18 August 2003	-	-	750,000	75,000
Issue of Shares at 10 cents 26 September 2003	-	-	1,520,000	152,000
Issue of Shares at 13 cents 7 October 2003	-	-	1,700,000	221,000
Issue of Shares at 13 cents 7 October 2003	-	-	400,000	52,000
Issue of Shares at 25 cents 10 December 2003	-	-	24,000,000	6,000,000
Issue of shares at 10 cents 6 January 2004	-	-	2,000,000	200,000
Issue of Shares at 10 cents 10 February 2005	2,000,000	200,000	-	-
Exercise of options at 25 cents 7 April 2005	250,000	62,500	-	-
Issue of shares at 20 cents 29 April 2005	11,179,900	2,235,980	-	-
Issue of shares at 20 cents 3 June 2005	2,280,000	456,000	-	-
Issue of shares at 20 cents 3 June 2005	8,820,100	1,764,020	-	-
Issue of shares at 20 cents 3 June 2005	130,000	26,000	-	-
Share issue expenses	-	(242,000)	-	(629,948)
Balance at end of financial year	100,298,515	13,539,797	75,638,515	24,388,230
Reduction of Share Capital in accordance with Section 258F – Corporations Act 2001 15(a)	-	-	-	(15,362,933)
Option Premium Reserve	-	-	-	12,000
	100,298,515	13,539,797	75,638,515	9,037,297

15(a) The above numbers of shares reflect balances at 30th June 2005 which are pre-consolidation balances. 2004: In accordance with Section 258F of the Corporations Act 2001, the Directors resolved to reduce the value of the contributed equity by \$15,362,933 in the year ended 30 June 2004. This amount represents the accumulated losses incurred by the previous operations of the Company prior to the acquisition of Transol Holdings Pty Ltd.

15. Contributed Equity (continued)

2005 - Economic Entity

Date of issue	1/9/2000 Number	15/8/2003 Number	10/12/2003 Number	1/10/2003 Number	31/12/2003 Number	8/10/04 Number
Balance at beginning of financial year	400,000	8,000,000	12,000,000	1,100,000	665,000	-
Issue during the period	-	-	-	-	-	680,000
Exercised during year	-	-	-	-	(250,000)	-
Cancelled during year	-	-	-	-	(200,000)	-
Expired during year	(400,000)	-	-	-	-	-
Balance at end of financial year	-	8,000,000	12,000,000	1,100,000	215,000	680,000
Number of recipients	4	2	various	2	6	1
Exercise price	\$1.25	\$0.20	\$0.25	\$0.25	\$0.25	\$0.25
Exercise period	Sep 2000 to Sep 2004	14 Aug 2004 to 15 Aug 2008	Dec 2003 to May 2006	30 Sep 2004 to 15 Aug 2008	Dec 2004 to Nov 2009	8 Oct 2004 to 8 Oct 2007
Expiration date	1 Sep 2004	15 Aug 2008	31 May 2006	15 Aug 2008	30 Nov 2009	8 Oct 2007

2005 - Economic Entity

Date of issue	12/1/2005 Number	16/2/2005 Number	4/3/2005 Number	4/3/2005 Number	3/5/2005 Number
Balance at beginning of financial year	-	-	-	-	-
Issued during year	118,000	30,000	10,000	660,000	200,000
Exercised during year	-	-	-	-	-
Cancelled during year	(30,000)	-	-	-	-
Expired during year	-	-	-	-	-
Balance at end of financial year	88,000	30,000	10,000	660,000	200,000
Number of recipients	6	1	1	1	1
Exercise price	\$0.275	\$0.275	\$0.275	\$0.25	\$0.22
Exercise period	12 Jan 2005 to 12 Jan 2010	16 Feb 2005 to 16 Feb 2010	4 Mar 2005 to 4 Mar 2010	4 Mar 2005 to 4 Mar 2008	3 May 2005 to 2 May 2010
Expiration date	12 Jan 2010	16 Feb 2010	4 March 2010	4 March 2008	2 May 2010

2004 - Economic Entity

Date of issue	1/9/2000 Number	15/8/2003 Number	10/12/2003 Number	10/12/2003 Number	30/11/2003 Number
Balance at beginning of financial year	400,000	-	-	-	-
Issued during the year	-	8,000,000	12,000,000	1,100,000	665,000
Exercised during year	-	-	-	-	-
Expired during year	-	-	-	-	-
Balance at end of financial year	400,000	8,000,000	12,000,000	1,100,000	665,000
Number of recipients	4	2	various	2	6
Exercise price	\$1.25	\$0.20	\$0.25	\$0.25	\$0.25
Exercise period	1 Sep 2000 to 1 Sep 2004	Aug 2005 to Aug 2008	Dec 2003 to May 2006	Nov 2003 to Oct 2009	Dec 2004 to Nov 2009
Expiration date	1 Sep 2004	14 Aug 2008	31 May 2006	20 Oct 2009	30 Nov 2009

15. Contributed Equity (continued)

Parent Entity

	2005	2004
	Number	Number
Date of issue	1/9/2000	1/9/2000
Balance at beginning of financial year	900,000	900,000
Issued during the year	-	-
Exercised during year	-	-
Expired during year	(900,000)	-
Balance at end of financial year	-	900,000
Number of recipients	5	5
Exercise price	\$0.50	\$0.50
Exercise period	31 Aug 2000 to 31 Aug 2004	Aug 2000 to Aug 2004
Expiration date	31 Aug 2004	31 Aug 2004

Fully Paid Ordinary Share Capital

Fully paid ordinary shares carry one vote per share at shareholders meeting and carry the right to dividends proceeds on winding up.

Share Options

Further details of the executive and other share options are contained in note 21 to the financial statements.

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$

16. Reserves and Accumulated Losses

Reserves

Asset Revaluation Reserve	-	4,000,000	-	-
Foreign Exchange Fluctuation Reserve	169,820	(26,959)	-	-
Balance at end of financial year	169,820	3,973,041	-	-

Asset Revaluation Reserve

Balance at beginning of financial year	4,000,000	-	-	-
Directors revaluation	-	4,000,000	-	-
Write-off of patents & trademarks	(4,000,000)	-	-	-
Balance at end of financial year	-	4,000,000	-	-

16. Reserves and Accumulated Losses (Continued)

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Foreign Exchange Fluctuation Reserve				
Balance at beginning of financial year	(26,959)	-	-	-
Adjustments from translation of foreign controlled entities	196,779	(26,959)	-	-
Balance at end of financial year	169,820	(26,959)	-	-

Nature and Purpose of ReservesAsset Revaluation Reserve

Subsequent to initial recognition, an item of property, plant and equipment may be revalued to fair value. The revaluation surplus is recognised in equity unless it reverses a decrease in the fair value of the same asset which was previously recognised as an expense, in which case it is recognised in profit or loss. A subsequent decrease in the fair value must be charged against this reserve.

Foreign Currency Translation Reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve.

Accumulated Losses

Balance at beginning of financial year	(3,766,540)	(15,362,933)	(345,176)	(15,362,933)
Reduction of Accumulated Losses in accordance with Section 258F – Corporations Act 2001	-	15,362,933	-	15,362,933
Net loss	(8,649,027)	(3,766,540)	(13,285,977)	(345,176)
Balance at end of financial year	(12,415,567)	(3,766,540)	(13,631,154)	(345,177)

17. Earnings per Share

	Economic Entity	
	2005	2004
	Cents per Share	Cents per Share
Basic loss per share	(10.92)	(6.45)
Diluted loss per share is not materially different from basic earnings per share and therefore is not disclosed in the financial statements.	Nil	Nil
	No.	No.
The weighted average number of ordinary shares on issue during the financial period used in the calculation of basic loss per share.	79,192,944	58,380,758

18. Controlled Entities

	Country of incorporation	Ownership Interest	
		2005 %	2004 %
Parent Entity			
Transol Corporation Limited (Formerly Online Trading Systems Limited)	Australia		
Controlled Entities			
Transol Holdings Pty Ltd	Australia	100	100
Transol Pty Ltd	Australia	100	100
Transol USA Inc.	U.S.A.	100	100
Transol Inc.	Canada	100	100
OTSdata Pty Ltd	Australia	17.5	17.5

Since the last financial year the following controlled entities have been deregistered:
Trading Summit Pty Ltd and OTS Financial News Pty Ltd

19. Capital and Leasing Commitments

	Economic Entity		Parent Entity	
	2005 \$	2004 \$	2005 \$	2004 \$
(a) Finance Lease Commitments				
Payable – minimum lease payments				
- not later than 12 months	-	53,992	-	-
- between 12 months and 5 years	-	65,986	-	-
- greater than 5 years	-	-	-	-
Minimum lease payments	-	119,978	-	-
(b) Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable				
- not later than one year	1,974,184	184,778	-	-
- later than one year but not later than five years	6,768,000	166,828	-	-
- later than five years	-	-	-	-
Minimum lease payments	8,742,184	351,606	-	-

19. Capital and Leasing Commitments (Continued)

There are a number of operating leases entered into by the economic entity that mainly relate to the lease of office accommodation and office equipment.

The \$A15M Rentworks Limited lease which relates to the sale and lease back of "traffic Approaches" in the USA been included in the accounts and notes due to a request by Alleasing Financial Australia Limited (AFA) who financed the "sale and lease back" to repay \$1M, effectively requiring the Transol Company Directors to assess the Company's financial position and hence resolving to put Transol into voluntary administration. (Refer Directors' Report).

Economic Entity		Parent Entity	
2005	2004	2005	2004
\$	\$	\$	\$

20. Contingent Liabilities and Contingent Assets

Estimates of the potential financial effect of contingent liabilities, that may become payable

Contingent Liabilities	\$1,000,000	-	-	-
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Due to the cancellation of a 2 approach intersection in June 2005, AFA upon undertaking a review of Transol's operating position determined that there was a breach and requested that Transol repay \$1 million to AFA before being allowed to continue with further installation of contracted approaches in the USA and payment of legal fees incurred in successfully defending the patent infringement action filed by Nestor Inc. against Transol.. The Directors of Transol considered that although sufficient funds were available to pay the demands, the Company would have minimal working capital with which to continue its operations.

On 14th July 2005 the Directors of Transol Corporation Limited placed the company into voluntary Administration as the group was at risk of trading insolvent.

Patent Infringement Allegation

A competitor instigated litigation against a controlled entity alleging patent infringement.

In June 2005, the Directors successfully defended the allegation. Therefore no potential financial threat that the entity may be liable for is needed to be disclosed.

21. Director and Executive Disclosures

(a) Details of Parent Entity Directors and Specified Executives in office at any time during the financial year:

Parent entity Directors

Martin Ralston	Chairman (Non-Executive)
Robert Ciolli	Director (Executive) and Chief Executive Officer
Bronwen Ciolli (Coulstock)	Director (Executive)
Angus Edgar	Director (Non-Executive)
Nick Palmer	Director (Non-Executive)

Executives

Peter Darbyshire	Chief Financial Officer Aust – 2004
Russell Cook	Chief Financial Officer Aust – 2004 to 2005
David Cochrane	Chief Operating Officer USA – 2004
Claire Hunter	VP Operations USA
William Kroske	VP Business Development USA to May 2005

21. Director and Executive Disclosures (continued)**(b) Remuneration of Directors and Specified Executives**

Remuneration Policy

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash, superannuation salary sacrifice and car parking expenses.

The Directors emoluments are comparable to similar sized companies. There is no formal link between the consolidated entity's performance and the Directors' emoluments. The Consolidated entity's performance is taken into account as a normal part of assessing Director performance and emoluments.

All Directors, senior executives and employees have the opportunity to qualify for participation in the Employee Option Incentive Scheme which provides incentives based upon share price growth. Details regarding the issue of share options under the plan are provided in note 15 to the financial statements.

It is the Nomination and Remuneration Committee's policy that employment agreements shall only be entered into with the Executive Directors.

Remuneration of Parent Entity Directors and Specified Executives in office at any time during the financial year

		Primary	Cash Bonus	Post Employment	Equity		Total
		Salary & Fees		Superannuation	Options	Shares	
Parent Entity Directors							
Martin Ralston	2005	54,000	-	4,455	-	-	58,455
	2004	40,500	-	3,645	58,044	-	102,189
Robert Ciolli	2005	140,302	-	13,645	-	61,361	215,308
	2004	150,687	-	13,459	-	61,361	225,507
Bronwen Ciolli (Coulstock)	2005	105,728	-	9,516	-	61,361	176,605
	2004	102,529	-	9,228	-	61,361	173,118
Angus Edgar	2005	48,000	-	3,960	-	-	51,960
	2004	48,000	-	4,320	471,421	-	523,741
Nick Palmer	2005	42,000	-	3,465	-	-	45,465
	2004	31,500	-	2,835	48,370	-	82,705
Total Remuneration	2005	390,030	-	35,041	-	122,722	547,793
	2004	373,216	-	33,487	577,835	122,722	1,107,260

The value attributable to the options is based upon the Black & Scholes valuation methodology, as required by ASIC. The Black & Scholes valuation methodology does not adjust the value of securities that are held in escrow.

21. Director and Executive Disclosures (continued)*Remuneration of Parent Entity Directors and Specified Executives in office at any time during the financial year*

		Primary		Post Employment	Equity	Total
		Salary & Fees	Cash Bonus	Superannuation	Options	
Executives						
David Cochrane	2005	70,452		2,819	-	73,271
	2004	-	-	-	-	-
Russell Cook	2005	27,170	-	2,271	-	29,441
	2004	-	-	-	-	-
Claire Hunter	2005	77,141	-	5,845	2,914	85,900
	2004	65,193	-	5,861	4,676	75,730
Bill Kroske	2005	140,680		5,627	-	146,308
	2004	83,277	-	-	13,359	96,636
Peter Darbyshire	2005	42,424	-	10,667	-	53,091
	2004	51,164	-	4,605	6,680	62,449
Total Remuneration	2005	357,867		27,229	2,914	388,010
	2004	199,634	-	10,466	24,715	234,815

Mr. Robert Ciolli and Ms Bronwen Ciolli (Coulstock) are Executive Officers of the economic entity.

(c) Remuneration options: granted and vested during the year

During the financial year, there were no options granted or vested as equity compensation benefits to parent entity Directors or specified executives other than those stated.

(d) Shares issued on exercise of remuneration options

During the financial year, there were no shares issued on exercise of remuneration options.

(e) Option holdings of parent entity Directors and specified executives in office at any time during the financial year

21. Director and Executive Disclosures (continued)

	Balance at beginning of period	Granted as remuneration	Options exercised	Balance at end of period	Vested at 30 June 2005	Exercisable at 30 June 2005
	1 July 2004			30 June 2005		
Parent Entity Directors						
Martin Ralston	600,000	-	-	600,000	600,000	600,000
Robert Ciolli	-	-	-	-	-	-
Bronwen Ciolli (Coulstock)	-	-	-	-	-	-
Angus Edgar	4,000,000	-	-	4,000,000	-	-
Nick Palmer	500,000	-	-	500,000	500,000	500,000
Total	5,100,000	-	-	5,100,000	1,100,000	1,100,000

Executives						
David Cochrane	-	-	-	-	-	-
Russell Cook	-	-	-	-	-	-
Claire Hunter	70,000	15,000	-	85,000	-	-
William Kroske	200,000	-	-	200,000	-	-
Peter Darbyshire	100,000	-	-	100,000	-	-
Total	370,000	15,000	-	385,000	-	-

(f) Shareholdings of parent entity Directors and specified executives in office at any time during the financial year

Shares held in Transol Corporation Limited	Balance at 1 July 2004	Granted as remuneration	On exercise Of Options	Net Change Other	Balance at 30 June 2005
	Ord	Ord	Ord	Ord	Ord
Parent Entity Directors					
Martin Ralston	400,000	-	-	75,000	475,000
Robert Ciolli	6,254,170	-	-	613,606	6,867,776
Bronwen Ciolli (Coulstock)	6,254,170	-	-	613,606	6,867,776
Angus Edgar	6,050,000	-	-	351,750	6,401,750
Nick Palmer	500,000	-	-	-	500,000
Total	19,458,340	-	-	1,653,962	21,112,302

No executives held shares in the economic entity at any time during the financial year.

21. Director and Executive Disclosures (continued)

All equity transactions with specified Directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

(g) Other transactions and balances with parent entity Directors and specified executives in office at any time during the financial year.

During 2005 the controlled entity utilised the services of Melbourne Capital Limited, an associate Company of a Director, Mr. Angus Edgar, in respect of underwriting and management of share issues. Total fees aggregated \$252,000(2004: \$509,959) and at reporting date \$NIL was outstanding.

22. Option Plan

Employee Option Incentive Scheme

- i. On 31 December 2003, 665,000 share options were granted to employees under the employee option plan to take up ordinary shares at an exercise price of \$0.25 each. The options are exercisable on or before 31 December 2008. The options hold no voting or dividend rights and are not transferable. At balance date 250,000 options had been exercised and issued shares on 6 April 2005. 200,000 had been cancelled at balance date.
- ii. On 12 January 2005, 118,000 share options were granted to employees under the employee option plan to take up ordinary shares at an exercise price of \$0.275 each. The options are exercisable on or before 12 January 2010. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised. 30,000 had been cancelled at balance date.
- iii. On 16 February 2005, 30,000 share options were granted to employees under the employee option plan to take up ordinary shares at an exercise price of \$0.275 each. The options are exercisable on or before 16 February 2010. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.
- iv. On 4 March 2005, 10,000 share options were granted to employees under the employee option plan to take up ordinary shares at an exercise price of \$0.275 each. The options are exercisable on or before 4 March 2010. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.
- v. On 3 May 2005, 200,000 share options were granted to employees under the employee option plan to take up ordinary shares at an exercise price of \$0.22 each. The options are exercisable on or before 2 May 2010. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

23. Segment Information

(a) Primary Reporting - Business Segments

2005	Holding Company \$	Traffic Law Enforcement \$	Elimination/ unallocated \$	30 June 2005 Total \$
Revenue from sale of goods and services	-	6,313,668	-	6,313,668
Total Revenue	43	6,351,166	-	6,351,209
Consolidated operating profit (loss) before tax	(13,285,978)	5,578,142	(941,191)	(8,649,027)
Segment Assets	59,999	3,292,221	-	3,352,220
Segment Liabilities	151,356	1,906,813	-	2,058,170
Non-current segment assets:				
Acquisitions	-	272,242	-	272,242
Depreciation	-	82,314	-	82,314
Amortisation	-	-	170,219	170,219

2004	Holding Company \$	Traffic Law Enforcement \$	Elimination/ unallocated \$	30 June 2004 Total \$
Revenue from sale of goods and services	-	-	-	-
Total Revenue	-	655,308	-	655,308
Consolidated operating profit (loss) before tax	(345,176)	(3,421,364)	-	(3,766,540)
Segment Assets	124,803	9,804,094	-	9,928,897
Segment Liabilities	108,385	576,714	-	685,099
Non-current Segment Assets:				
Acquisitions	-	224,103	-	224,103
Depreciation	-	23,332	-	23,332
Amortisation	-	482,482	-	482,482

(b) Secondary Reporting - Geographical Segments

2005	Australia	USA	Elimination/ unallocated	30 June 2005 Total
Revenue from sale of goods and services	6,071,568	246,819	-	6,313,387
Segment Revenue	6,104,185	247,024	-	6,351,209
Segment Assets	1,956,966	1,395,254	-	3,352,220
Acquisition of non-current segment assets	162,414	109,828	-	272,242
2004	Australia	USA	Elimination/ unallocated	30 June 2004 Total
Revenue from sale of goods and services	573,207	82,101	-	655,308
Segment Revenue	573,207	82,101	-	655,308
Segment Assets	9,597,494	331,403	-	9,928,897
Acquisition of non-current segment assets	137,478	66,953	-	204,431

23. Segment Information (continued)

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists.

Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

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

Business and Geographical Segments

Business Segments

The economic entity has the following two business segments:

Holding Company is the operations of the parent entity, Transol Corporation Limited which include the administration of the group.

Traffic Law enforcement includes the operations of the remaining companies in the Group.

Geographical Segments:

Transol USA Inc. and Transol Canada are included in the USA segment.

Remaining companies are included in the Australian Segment.

24. Subsequent Events

The following items, transactions and events of a material or unusual nature have arisen in the interval between the end of the year ending 30 June 2005 and at the date of this report, and have significantly affected the results of the operations of the economic entity. The company has reported all these events in this report due to their impact on the Company through the year up until the date of this report.

Due to the cancellation of a 2 approach intersection in June 2005, Alleasing Finance Australia Limited (AFA), upon undertaking a review of Transol's operating position, issued a Letter of Demand in July 2005 requesting Transol repay \$1 million to AFA before being allowed to continue with further installation of contracted approaches in the USA. The Directors of Transol considered that although sufficient funds were available to pay the demands, the Company would have minimal working capital with which to continue its operations.

Following the appointment of Horwath Melbourne as Joint and Several Administrators on 14 July 2005, Alleasing Finance Australia Limited (AFA) immediately appointed a Receiver and Manager to manage the Company's assets. The Receiver and Manager were given the responsibility of selling the assets of the Company and recovering payment of the secured debt. On 31 August, 2005 AFA entered into a Sale Agreement with Nestor Inc. for the sale of the Company's red light camera business and all assets associated with that business. This contract was completed on 15 January 2006 when USD\$2 million was received for the sale of the red light camera business and the Receiver and Manager subsequently resigned on 7 February 2006.

After the date of appointment of the Company's Administrators, the Company's creditors agreed to enter into a Deed of Company Arrangement with Transol, whereby the creditors would accept a part payment of their debt in full settlement of the debt owed by the Company. This arrangement was consummated at a creditor meeting held on 24th August 2005, and was finalised via an amendment to the Deed of Company Arrangement on 2 March 2006. The Deed Administrators released the Company from administration on 5 September 2006.

Following the approval by shareholders on 22 May 2006 of the issue of a convertible note for \$110,000, funds were made available to pay creditors and other costs associated with the Deed Administration.

24. Subsequent Events (continued)

At that shareholders meeting, other resolutions that were passed included a consolidation of the Company's share capital on the basis of 1 for 2 held, and an issue of ordinary shares and free attaching options for assets held by AFA, and an issue of ordinary shares and free attaching options to eliminate debt in the Company.

On 9 August 2006, Transol had advised the ASX that it had signed a Convertible Note Agreement with Mungala Investments Pty Ltd, a Company associated with a Director, Angus Edgar, following payment of \$110,000 to the Deed Administrators to finalise the Deed Administration process. The Note has an 8% coupon rate and converts into 22,000,000 shares and free attaching options (with a two cent strike price and expiring within five years from date of issue).

On 15 August 2006 Transol issued 24,864,662 ordinary shares and free attaching options (with a two cent strike price and expiring on 22 May 2011) in lieu of \$200,000 of loan funds, previously approved by shareholders.

On 15 August 2006 Transol issued 15,136,000 options (with a two cent strike price and expiring on 22 May 2011) in lieu of \$15,137 of loan funds, previously approved by shareholders.

On 15 August 2006 Transol issued 3,120,000 ordinary shares at a value of \$0.01 per share and free attaching options (with a two cent strike price and expiring on 22 May 2009) to acquire assets associated with the CLTNet® business.

On 25 August 2006, the Receiver and Manager of Transol Pty Ltd, a controlled entity, retired.

On 5 September 2006, Horwath Melbourne completed the Administration Deed and resigned as Administrators.

On 8 September 2006, Transol Corporation Limited entered into a Sale of Shares agreement with a non-related party to dispose of all shares in its controlled entities, Transol Holdings Pty Ltd and Transol Pty Ltd. The effect of this sale of shares on the Company's Balance Sheet is that it removes all debts and liabilities of these controlled companies that were owed at the date of sale of shares.

25. Notes to the Statement of Cash Flows

Economic Entity		Parent Entity	
2005	2004	2005	2004
\$	\$	\$	\$

(a) Reconciliation to cash

For the purposes of statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash and cash equivalents	1,989,764	2,656,969	8,977	4,550
	<u>1,989,764</u>	<u>2,656,969</u>	<u>8,977</u>	<u>4,550</u>

25. Notes to the Statement of Cash Flows (continued)

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<i>(b) Reconciliation of Operating Loss After Income Tax to Net Cash Flows From Operating Activities</i>				
Operating profit/(loss) after income tax	(8,649,027)	(3,766,540)	(13,285,977)	(345,176)
Foreign exchange movement	115,299			
Depreciation expense	82,314	23,332	-	-
Amortisation of goodwill	170,219	134,358	-	-
Write-off Goodwill	1,630,946	-	200,000	-
Write-off loans to subsidiaries	-	-	10,297,630	-
Write-off investments in subsidiaries	-	-	2,000,000	-
Non-cash share capital & reserve movements	-	(26,959)	-	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Current receivables	544,189	(114,358)	69,231	62,732
Inventory	-	(1,156,552)	-	-
Prepayments	(72,900)			
Increase/(decrease) in liabilities:				
Current payables	1,390,554	482,289	225,066	71,021
Accruals	99,325		17,904	
Current provisions	(29,372)	29,372	-	-
Increase in reserves:				
Net cash from operating activities	(4,718,453)	(4,395,059)	(476,146)	(211,423)

(c) Acquisition of Entities

2004: During the year 100% of the issued capital of Transol Holdings Pty Ltd was acquired by the issue of shares in Transol Corporation Limited. No cash payment was involved in the acquisition.

Details of this transaction are:

	2005	2004
Purchase Consideration	200,000	2,200,000
Consideration - issue of vendor shares	-	2,000,000
- issue vendor milestone shares	200,000	200,000
	200,000	2,200,000
No cash assets were acquired in the acquisition.		
Assets and liabilities held at acquisition date:		
Receivables	-	177,652
Inventories	-	583,205
Property, plant and equipment	-	19,671
Loan	-	(180,000)
Lease Liability	-	(150,180)
Intangibles	-	14,129
	-	464,477
Goodwill on consolidation	200,000	1,735,523
	200,000	2,200,000

26. Financial Instruments

Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2005:

	Fixed Interest Rate Maturity						Total
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 year	1 to 5 Years	Over 5 Years	Non-Interest Bearing	
	%	\$	\$	\$	\$	\$	
Financial Assets							
Cash and cash equivalents	2.2	1,989,764	-	-	-	-	1,989,764
Trade receivables	-	-	-	-	-	216,630	216,630
		1,989,764	-	-	-	216,630	2,206,394
Financial Liabilities							
Trade payables	-	-	-	-	-	1,828,205	1,828,205

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2004:

	Fixed Interest Rate Maturity						Total
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within year	1 to 5 Years	Over 5 Years	Non-Interest Bearing	
	%	\$	\$	\$	\$	\$	
Financial Assets							
Cash	5	2,656,969	-	-	-	-	2,656,969
Trade receivables	-	-	-	-	-	216,630	216,630
		2,656,969	-	-	-	216,630	2,873,599
Financial Liabilities							
Trade and other payables	-	-	-	-	-	569,898	569,898
Lease Liability	10.50	-	-	53,992	-	-	53,992
		-	-	53,992	-	569,898	623,890

26. Financial Instruments (continued)

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts and interest rate swaps is the net fair value of these contracts as disclosed in d.

Except for the following concentrations of credit risks, the economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Net fair values

The net fair values of term debtors and government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.

The net fair values of other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.

For other assets and other liabilities the net fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

27. Related Party Transactions

Related party transactions are disclosed in Note 21.

27. Company Details

The registered office & principal place of business of the Company is:

Level 14, 31 Queen Street
Melbourne Vic 3000
Australia

Melbourne
Bentleys MRI
ABN 62 667 316 249
Audit & Assurance Services Division

Level 7, 114 William Street
Melbourne Vic 3000

GPO Box 2266
Melbourne Vic 3001

T +61 3 9274 0600
F +61 3 9274 0736

audit@melb.bentleys.com.au
www.bentleys.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TRANSOL CORPORATION LTD

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Transol Corporation Ltd (the company) and Transol Corporation Ltd (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF TRANSOL CORPORATION LTD (Continued)**

Audit Approach (Continued)

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration has not changed as at the date of providing our audit opinion.

Qualification

1. As noted in the directors declaration due to the Parent Entity being subject to external administration and Receiver & Manager appointed for the period 15 July 2005 to 7 February 2006 and the associated disposal of the US based Red Light Camera business, complete records have not been able to be located. The effect on the financial report for the financial year ending 30 June 2005 is as follows:

At 14 July 2005 (the date of the appointment of Joint Administrators) the Company had not completed its financial report for the financial year ending 30 June 2005. The management and affairs of the Company were not under the control of the Directors during the period in which the affairs were under the control of the Receiver & Manager. During that period books and records of the economic entity required for the preparation of the financial reports were either not preserved or made available to the Company and its accountants. Subsequent to the resignation of the Receiver & Manager and return of the management and control of the Company's affairs to the Directors, it has not been possible to obtain all the books and records of the entire economic entity for the relevant period, particularly books and records which would have been held by the Company's former USA subsidiary Transol USA, Inc and its accountants with certainty or at all. This has resulted in delays in preparing the financial report and Directors' Report which has resulted in delays in the completion of the audit and the Directors being unable to reconstruct complete financial and corporate records relating to the period. The Company has prepared this financial report to the best of its knowledge, based on the best information available to it.

The Directors are of the opinion that it is not possible to state that the financial statements and notes are in accordance with the requirements of the Corporations Act 2001 due to the lack of records and certainty in connection with the books and records of the economic entity for the relevant period, particularly the Company's former USA subsidiary Transol USA, Inc and it's Canadian Subsidiary.

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF TRANSOL CORPORATION LTD (Continued)**

Qualification (Continued)

It is noted by the Directors that the disposal of the Red Light Camera business and application of the proceeds of the sale to the secured creditor, costs of the sale and costs of the Receiver & Manager mean that while historical records are affected and that this may result in the financial information for the period in which the business was disposed of not being complete, the absence of records is not expected to significantly detract from the Company's ability to identify and maintain proper books and records for its continuing CLTNet[®] business and the assets it does retain. Therefore the absence of records due to the external administration and disposal by the Receiver & Manager primarily affects the historical records of the economic entity rather than its ability to continue its retained business and operations.

As the accounting records as described above are not adequate to permit application of necessary auditing procedures, we are unable to obtain all the information and explanations we require in order to form an opinion on the financial report.

Qualified Audit Opinion

In our opinion, because of the existence of the limitation on the scope of our work as described in the qualification paragraph, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to and do not express an opinion as to whether the financial report of Transol Corporation Limited and its controlled entities is in accordance with:

- a. the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporation Regulations 2001; and
- b. other mandatory professional reporting requirements.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter.

The directors declaration states that in the directors opinion, they believe the company will be able to pay its debts as and when they become due and payable, as a prospectus offer is being lodged immediately following the issue of this statement to raise a minimum \$1.5 million that will enable the company to be recapitalised and meet its debts when they become due and payable.

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF TRANSOL CORPORATION LTD (Continued)**

Inherent Uncertainty Regarding Continuation as a Going Concern (Continued)

In addition, Note 1 of the financial statements states that the company experienced operating losses and negative operating cash flows during the year ended 30 June 2005. The continuing viability of the company and its ability to continue as a going concern and meet its debts and commitments as they fall due are subject to the company being successful:

- in establishing revenue from its investment in CLTNet[®] current projects and sales strategies;
- in accessing additional capital.

Subsequent to year end, the appointment of Joint & Several Administrators and Receiver and Manager gave rise to significant uncertainty as to whether the economic entity will continue as a going concern and, therefore, whether the economic entity will be able to pay its debts as they fall due and whether the economic entity will recognise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

As a result of the matters described above, there is a significant uncertainty whether Transol Corporation Ltd will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



**BENTLEYS MRI
CHARTERED ACCOUNTANTS**



**MARTIN FENSOME
PARTNER**

Dated in Melbourne on this 29 day of September 2006

ASX ADDITIONAL INFORMATION

Additional information required by the Listing Rules of the Australian Stock Exchange Limited and which is not disclosed elsewhere in the Annual Report, is as follows. The information is made up to 11 September 2006.

Shareholder Distribution

The Company's shares are currently suspended from trading on ASX and therefore the Company cannot determine the number of shareholders holding a marketable parcel of 2,000 securities.

Category (number of securities)	ORDINARY SHARES (quoted)		
	Number of holders	Number of shares	% of total
1 -1,000	508	211,366	0.27
1,001 - 5,000	307	868,413	1.11
5,001 -10,000	167	1,375,749	1.76
10,001 -100,000	436	14,355,113	18.37
100,001 - and over	61	61,323,325	78.48
TOTAL	1,479	78,133,966	100.00%

Twenty Largest Shareholders

The names of the 20 largest holders of quoted ordinary shares are:	Quoted Ordinary Shares	
	Number of shares	% of ordinary shares
Shareholder		
Alleasing Finance Australia Limited	15,552,331	19.90
Mungala Investments Pty Ltd	14,183,206	18.15
Oakley Thompson & Co Pty Ltd	7,000,000	8.96
JP Morgan Nominees Australia	5,000,000	6.40
John Harrison	3,303,525	4.23
ANZ Nominees Ltd	2,754,507	3.53
Angus Edgar Super Fund	1,117,776	1.43
Summerbay Investments Pty Ltd	662,944	0.85
Thomas Frederick Coulstock	641,250	0.82
Lisa Maria Ives	563,250	0.72
Maskal Pty Ltd	555,496	0.71
Yellow Knife Pty Ltd	486,250	0.62
Minda Incorporated	455,185	0.58
Challand Pty Ltd	442,650	0.57
Nupcone Pty Ltd	400,000	0.51
Richard Osgood-Cannon	350,000	0.45
Zacharry Pty Ltd	335,000	0.43
Retzos Investments Pty Ltd	283,750	0.36
Simon Kerle	278,363	0.36
Mutual Trust Pty Ltd	250,000	0.32
TOTAL	54,615,483	69.90

Substantial Shareholders

The names of substantial shareholders of the quoted ordinary shares are:

Angus Edgar 15,450,982 19.77%

Voting Rights

On a show of hands, every shareholder present in person or by proxy holding ordinary shares in the Company shall have one vote and upon a poll each share shall have one vote.

There are no voting rights attached to the options.

Audit Committee

As at the date of the Directors' Report, the economic entity had established an Audit & Risk Committee of the Board of Directors (refer Corporate Governance Statement).

CORPORATE DIRECTORY

Directors

Martin Ralston

Angus Edgar

Andrew Metcalfe

Non-Executive Chairman

Non-Executive Director

Non-Executive Director

Company Secretary

Andrew Metcalfe

Registered & Principal Office

Level 14, 31 Queen Street

Melbourne VIC 3000

Australia

Auditors

Bentleys MRI

Level 7, 114 William Street

Melbourne, VIC 3000

AUSTRALIA

Lawyers

Oakley Thompson & Co Pty Ltd.

Level 19, 500 Collins Street

Melbourne, VIC 3000

AUSTRALIA

Share Registry

Security Transfer Registrars Pty Ltd.

Perth, WA 6000

AUSTRALIA

Telephone: +61 (0)8 9315 0933

Facsimile: +61 (0)8 9315 2233

Email: registrar@securitytransfer.com.au

Home Exchange

Australian Stock Exchange Limited

Level 3, 530 Collins Street

Melbourne, VIC 3000

AUSTRALIA

(ASX code: TNC)

Website

www.transolcorp.com.au