TRANSOL CORPORATION LIMITED

ABN 73 089 224 402

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Transol Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The following information is given to the ASX under listing rule 4.2A.3.

1.

Reporting period	6 months ending 31 December 2006
Previous corresponding period	6 months ending 31 December 2005

2. ***"Results for announcement to the market".***

2.1 The amount and percentage change up or down from the previous corresponding period **of revenue from ordinary activities**.	Up $644,494 and 127.52% to $1,149,888
2.2 The amount and percentage change up or down from the previous corresponding period of **gain from ordinary activities after tax** attributable to members.	Up $3,502,365 and 133.70%, to $882,852
2.3 The amount and percentage change up or down from the previous corresponding period of **net gain for the period attributable to members.**	Up $3,502,365 and 133.70%, to $882,852
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.	No dividend payment
2.5 The record date for determining entitlements to the dividends (if any).	No dividend payment

2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

1. Transol Corporation Limited's continued focus on cost reduction and strengthening the foundation of the company by securing quality licence agreements aims to obtain maximum value from shareholder funds.

3. Net tangible assets per security with the comparative figure for the previous corresponding period.	Current Period 0.78 cents Previous Period (1.28) cents
4. Details of entities over which control has been lost during the period, including the following:	
4.1 Name of the entities.	Transol Holdings Pty Ltd and Transol Pty Ltd
4.2 The date of the loss of control.	8 September 2006
4.3 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.	Gain of $1,132,879

5. 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.	None
6. 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.	None
7. Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities and – 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.	None
8. For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).	None
9. For all entities, if the accounts are subject to audit dispute or qualification, a description of the dispute or qualification.	The financial accounts to 30 June 2006 were subject to audit qualification due to the inability to obtain all the books and records of the company and its subsidiaries in order to provide a true and fair opinion on the financial statements for the year ended 30 June 2005 and 30 June 2006.

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2006.

DIRECTORS

The names and details of the Company's Directors in office during the half-year and until the date of this report are as follows (Directors were in office for this entire period unless otherwise stated):

Martin Ralston	Non-Executive Chairman
Angus Edgar	Non-Executive Director
Andrew Metcalfe	Non-Executive Director

REVIEW AND RESULTS OF OPERATIONS

Financial Highlights

The gain from ordinary activities after income tax expense of the consolidated entity for the half-year was $882,852 (2005: $2,780,044 loss). The gain from ordinary activities was attributed to the gain on sale of subsidiaries of $1,132,879.

Operational Highlights

Significant events for the period are as follows:
On 9 August 2006, Mungala Investments Pty Ltd, a Company associated with a Director, Angus Edgar, advised the ASX of the signing of a Convertible Note Agreement 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 subsidiary companies that were owed at the date of sale of shares.

During the period to 31 December 2006, Directors commenced a detailed review of the CLTNet business to determine the commercialisation opportunities of the product.

Incomplete Financial Information for the comparative financial accounts

Due to the Parent Entity being subject to external administration and Receivers & Managers 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 six month period ending 31 December 2006 is in respect of the company's comparative financial information for the six month period ending 31 December 2005 and the year ended 30 June 2006, as 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 for each of those periods 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.

The Directors anticipate that the Company's auditors will qualify their report on the Company's and economic entity's financial statements in respect of those comparative financial information only. Regard should be had to the qualifications in the Auditor's review letter.

Changes in the state of affairs

There have been no significant changes in the state of affairs of the entity during the financial period.

After balance date events

The company has lodged a prospectus with the Australian Securities & Investments Commission to raise up to $2 million from the issue of 50,000,000 shares and 50,000,000 options with a 2 cent strike and expiring on 31 May 2011.

AUDITOR'S INDEPENDENCE DECLARATION

As required under section 307C of the Corporations Act 2001, we have obtained an independence declaration from our auditors, Bentleys MRI.

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

Andrew Metcalfe
Director
Melbourne, 28 February 2007

Condensed Income Statement
For the half-year ended 31 December 2006

	Note	Parent		Consolidated	
		December 2006	December 2005	**December 2006**	December 2005
		$	$	**$**	$
Revenues	2	**17,009**	104	**17,009**	505,394
Other revenues	3	**1**	-	**1,132,879**	-
Materials and consumables used		**-**	-	**-**	(1,102,656)
Administration and corporate expense		**(214,810)**	(71,704)	**(214,810)**	(686,051)
Depreciation		**-**	-	**-**	(33,026)
Employee benefits expense		**(52,226)**	(2,634)	**(52,226)**	(393,049)
Other expenses		**-**	-	**-**	(128,224)
(Loss)/Gain before income tax expense		**(250,026)**	(74,234)	**882,852**	(1,837,612)
Income tax benefit/ (expense)		-	-	-	-
(Loss)/Gain from continuing operations		**(250,026)**	(74,234)	**882,852**	(1,837,612)
Loss from discontinued operations		**-**	-	**-**	(781,901)
(Loss)/Gain attributable to members of Transol Corporation Limited		**(250,026)**	(74,234)	**882,852**	(2,619,513)
Earnings/(loss) per share		**Cents**	Cents	**Cents**	Cents
Basic earnings/(loss) per share		**(0.19)**	(0.00)	**0.68**	(2.61)
Diluted earnings/(loss) per share		**(0.19)**	(0.00)	**0.68**	(2.61)
Weighted average number of shares used as the denominator					
Weighted average number of ordinary shares on issue during the financial half-year used in the calculation of basic earnings/(loss) per share		**228,133,966**	100,298,515	**228,133,966**	100,298,515
Weighted average number of ordinary shares on issue during the financial half-year used in the calculation of diluted earnings/(loss) per share		**n/a**	n/a	**n/a**	n/a

The above consolidated condensed statement of financial performance should be read in conjunction with the accompanying notes.

Condensed Balance Sheet
As at 31 December 2006

	Notes	Parent		Consolidated	
		31 December 2006 $	30 June 2006 $	**31 December 2006 $**	30 June 2006 $
CURRENT ASSETS					
Cash and cash equivalents		**1,774,850**	-	**1,774,850**	2,858
Trade and other receivables		**37,617**	-	**37,617**	20,219
Inventories		**31,200**	-	**31,200**	-
Prepayments		**5,347**	-	**5,347**	-
TOTAL CURRENT ASSETS		**1,849,014**	-	**1,849,014**	23,077
TOTAL ASSETS		**1,849,014**	-	**1,849,014**	23,077
CURRENT LIABILITIES					
Trade and other payables		**58,650**	146,698	**58,650**	1,302,654
TOTAL CURRENT LIABILITIES		**58,650**	146,698	**58,650**	1,302,654
TOTAL LIABILITIES		**58,650**	146,698	**58,650**	1,302,654
NET ASSETS		**1,790,364**	(146,698)	**1,790,364**	(1,279,577)
EQUITY					
Issued capital		**15,942,018**	13,754,930	**15,942,018**	13,754,930
Reserves		**284,336**	284,336	**284,336**	284,336
Accumulated losses		**(14,435,990)**	(14,185,964)	**(14,435,990)**	(15,318,843)
TOTAL EQUITY		**1,790,364**	(146,698)	**1,790,364**	(1,279,577)

The above consolidated condensed statement of financial position should be read in conjunction with the accompanying notes.

Condensed Cashflow Statement
For the half-year ended 31 December 2006

	Parent		Consolidated	
	December 2006	December 2005	**December 2006**	December 2005
	$	$	**$**	$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	**-**	-	**-**	49,773
Payments to suppliers and employees	**(400,048)**	-	**(400,048)**	(1,179,372)
Interest received	**17,009**	104	**17,009**	12,566
Other	**-**	27,169	**-**	-
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	**(383,039)**	27,273	**(383,039)**	(1,117,033)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of investment	**1**	-	**1**	-
Proceeds from disposal of business	**-**	-	**-**	615,100
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	**1**	-	**1**	615,100
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from share issue	**2,250,000**	-	**2,250,000**	-
Costs associated with share issue	**(92,112)**	-	**(92,112)**	-
Proceeds from short term borrowings	**-**	-	**-**	115,132
Repayment of Alleasing Finance Australia Limited liability	**-**	-	**-**	(1,425,603)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	**2,157,888**	-	**2,157,888**	(1,310,471)
NET (DECREASE)/INCREASE IN CASH HELD	**1,774,850**	27,273	**1,774,850**	(1,812,404)
Cash at the beginning of the financial half-year	**-**	8,977	**-**	1,989,764
CASH AT THE END OF THE FINANCIAL HALF-YEAR	**1,774,850**	36,250	**1,774,850**	177,360

The above consolidated condensed statement of cash flows should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Share Capital $	Cost of Issue of Share Capital $	Foreign Exchange Fluctuation Reserve $	Option Reserve $	Accumulated Losses $	Total $
Parent						
Balance at 1 July 2005	13,539,797	-	169,820	-	(12,498,906)	1,294,050
Loss attributable to members of parent entity	-	-	-	-	(2,619,513)	(2,619,513)
Adjustments from translation of foreign controlled entities	-	-	(172,352)	-	-	(172,352)
Balance at 31 December 2005	13,539,797	-	(2,532)	-	(15,118,419)	(1,296,818)
Balance at 1 July 2006	**13,754,930**	**-**	**-**	**284,336**	**(14,185,964)**	**(146,698)**
Loss attributable to members	-	-	-	-	(250,026)	(250,026)
Issue of share capital	2,281,200	-	-	-	-	2,281,200
Cost of issuing capital	-	(94,112)	-	-	-	(94,112)
Balance at 31 December 2006	**16,036,130**	**(94,112)**	**-**	**284,336**	**(14,435,990)**	**1,790,364**
Consolidated Entity						
Balance at 1 July 2005	13,539,797	-	169,820	83,339	(12,498,906)	1,294,050
Loss attributable to members of parent entity	-	-	-	-	(2,619,513)	(2,619,513)
Adjustments from translation of foreign controlled entities	-	-	(172,352)	-	-	(172,352)
Option reserve on recognition of bonus element of options	-	-	-	200,997	-	200,997
Balance at 31 December 2005	13,539,797	-	(2,532)	284,336	(15,118,419)	(1,296,818)
Balance at 1 July 2006	**13,754,930**	**-**	**-**	**284,336**	**(15,318,842)**	**(1,279,576)**
Loss attributable to members	-	-	-	-	882,852	882,852
Issue of share capital	2,281,200	-	-	-	-	2,281,200
Cost of issuing capital	-	(94,112)	-	-	-	(94,112)
Balance at 31 December 2006	**16,036,130**	**(94,112)**	**-**	**284,336**	**(14,435,990)**	**1,790,364**

The above consolidated condensed statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 1: BASIS OF PREPARATION

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 134 "Interim Financial Reporting", Urgent Issues Group Interpretations and other authorative pronouncements of the Accounting Standards Board. The 31 December 2006 half year financial report is to be read in conjunction with the financial report for the year ended 30 June 2006 and any public announcements made by Transol Corporation Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

Notes of a type normally included in an annual financial report are not included.

The accounting policies adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the 30 June 2006 annual financial report.

<u>Incomplete Financial Information in respect of prior period comparative financial accounts</u>
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 receivers and managers. During that period books and records of the economic entity required for the preparation of the financial reports for the period to 31 December 2005 and the year ended 30 June 2006 were either not preserved or made available to the Company and its accountants. Subsequent to the resignation of the receivers and managers 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 subsidiary Transol USA Inc. and its accountants with certainty or at all. This has resulted in the Directors being unable to reconstruct complete financial and corporate records relating to the period. The Company has prepared the financial information in respect of prior period comparative financial accounts to the best of its knowledge, based on the best information available to it.

<u>Going Concern Assumption</u>
The company experienced operating losses and positive operating cash flows during the half year period ending 31 December 2006. 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® project and sales strategies;
- in establishing revenue from future investments; and/or
- in accessing additional capital.

As at the date of signing the Director's declaration, the Directors consider the economic entity as a going concern for the following reasons:

- the company has in excess of $1.7 million in capital to meet is debts and obligations;
- the company has lodged a prospectus with the Australian Securities & Investments Commission to raise up to $2 million from the issue of 50,000,000 shares and 50,000,000 options with a 2 cent strike and expiring on 31 May 2011;
- the company expects to complete its review of the CLTNet® technology in the period to 30 June 2007 to allow the recommencement of that business.

<u>Principles of Consolidation</u>
A controlled entity is any entity Transol Corporation Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

1. Summary of Significant Accounting Policies (continued)

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

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

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

Income Tax

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the 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.

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.

1. Summary of Significant Accounting Policies (continued)

Plant and Equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.
The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount 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 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	
	2006	2005
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.

Financial Instruments

Recognition
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Derivative instruments
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

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

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

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

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

1. Summary of Significant Accounting Policies (continued)

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

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. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Foreign Currency Transactions and Balances

Functional and presentation currency
The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

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

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

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

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

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

1. Summary of Significant Accounting Policies (continued)

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 recognised 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.

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.

Provisions

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

Debt Defeasance

Where assets are given up to extinguish the principal repayments and all future interest payments of a debt any differences in the carrying values of assets foregone and the liability extinguished are brought to account in the profit from ordinary activities. Costs incurred in establishing the defeasance are expensed in the period that the defeasance occurs.

Where only part of a debt is extinguished the interest payments and principal repayments are defeased proportionately and a liability recognised for the net present value of the remaining future interest and principal repayments. The discount factor applied is the implicit rate in the original debt.

In all cases where defeasance occurs, it is highly unlikely that the company will again be required to pay any part of the debt or meet any guarantees or indemnities associated with the debt.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of

1. Summary of Significant Accounting Policies (continued)

acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

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.

Critical accounting estimates and judgments

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

Key estimates — Impairment
The economic entity assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTE 2 REVENUES FROM ORDINARY ACTIVITIES

	Note	Parent		Consolidated	
		2006	2005	**2006**	2005
(a) Revenues		**$**	$	**$**	$
Forgiveness of debt to parent entity		**-**	-	**-**	488,390
Other		**1**	-	**1,132,879**	5,266
Interest		**17,009**	104	**17,009**	11,739
		17,010	104	**1,149,888**	505,394
(b) Revenues by customer geographic segment					
Australia		**17,010**	104	**1,149,888**	503,394
		17,010	104	**1,148,888**	503,394
(c) Net result by customer geographic segment					
Australia		**(250,026)**	(74,234)	**882,852**	(1,837,612)
Loss from discontinued operations		**-**	-	**-**	(781,901)
Loss attributable to members		**(250,026)**	(74,234)	**882,852**	(2,619,513)

Notes to the Consolidated Financial Statements (continued)
For the half-year ended 31 December 2006

Note 3 Disposal of subsidiaries

Disposal of Transol Holdings Pty Ltd and Transol Pty Ltd

On 8 September 2006, the Board of Directors entered into a sale agreement to dispose of its two subsidiary entitles, Transol Holdings Pty Ltd and Transol Pty Ltd. The disposal was completed for $1 and the shares transferred on that day, details of which are outlined below.

The major classes of assets and liabilities comprising the disposed of the subsidiaries as at the date of sale, being 8 September 2006 are as follows:

	$
Cash and cash equivalents	2,858
Trade debtors	20,219
Trade creditors	(1,071,930)
Accruals	(20,469)
Payroll liabilities	(57,817)
Provisions	(2,858)
GST Payable	(2,882)
Subsidiary net assets sold	(1,132,878)
Proceeds from sale of subsidiary	1
Gain on sale of subsidiary	**1,132,879**

NOTE 4: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 5: EVENTS SUBSEQUENT TO BALANCE DATE

On 20th February 2007 Transol Corporation Limited lodged with the Australian Securities and Investment Commission a prospectus to raise up to $2,000,000 by offering 50,000,000 shares and 50,000,000 options with a 2 cent strike and expiring on 31 May 2011.

NOTE 6: ISSUED CAPITAL

Movements in issued and fully paid up ordinary shares of the company during the half – year were as follows:

Details	Number of Shares	Issue Price	Value $
Opening Balance	50,149,304		13,754,930
New Shares – 15/08/2006	24,864,662	$0.008	- (1)
New Shares – 15/08/2006	3,120,000	$0.01	31,200
New Shares – 20/10/2006	150,000,000	$0.015	2,250,000
Capital Raising Costs	-		(94,112)
	228,133,966		15,942,018

(1) The value of $200,000 attaching to the issue of 24,864,662 ordinary shares was taken up and recorded in the financial accounts as at 30 June 2006.

TRANSOL CORPORATION LIMITED
ABN 73 089 224 402
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Transol Corporation Limited

   the financial statements and notes of the consolidated entity:

   (i) give a true and fair view of the financial position as at 31 December 2006 and the performance for the period ended on that date of the economic entity; and

   (ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001.

2. Due to the circumstances described in item 3 of this declaration, it is not possible to state that the financial statements and notes in respect of comparative period (31 December 2005) and prior year periods (30 June 2005 and 30 June 2006), as set out on the preceding pages of the parent entity and of the economic entity,

   (i) give a true and fair view of the financial position as at 31 December 2005 and the performance for the half-year ended on that date of the consolidated entity; and

   (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

3. Due to the Parent Entity being subject to external administration and Receivers & Managers 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 these circumstances on the financial report for the six month period ending 31 December 2006 is in respect of the company's comparative financial information for the six month period ending 31 December 2005 and the year ended 30 June 2006. The Directors are of the opinion that it is not possible to state that the financial statements and notes in respect of the comparative period to 31 December 2005 and prior period to 30 June 2006 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 comparative and prior reporting period.

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.

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

Andrew Metcalfe
Director

Dated at Melbourne 28 February 2007

TRANSOL CORPORATION LIMITED
ABN 73 089 224 402
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Corporate Directory

Directors

Martin Ralston	Non-Executive Chairman
Angus Edgar	Non-Executive Director
Andrew Metcalfe	Non-Executive Director

Company Secretary

Andrew Metcalfe

Registered & Principal Office

Ground Floor, 470 St Kilda Road
Melbourne, VIC 3004
AUSTRALIA

Auditors

Bentleys MRI
Level 7, 114 William Street
Melbourne, VIC 3000
AUSTRALIA

Lawyers - Australia

Oakley Thompson & Co Pty Ltd.
Level 17, 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
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AUSTRALIA
(ASX code: TNC)

Website: www.transolcorp.com.au

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

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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 half year ended 31 December 2006 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

BENTLEYS MRI
CHARTERED ACCOUNTANTS

MARTIN FENSOME
PARTNER

Dated in Melbourne on this 28 day of February 2007

CHARTERED
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& BUSINESS
ADVISORS

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INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF TRANSOL CORPORATION LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half year financial report of Transol Corporation Ltd ("the company"), which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half year ended on that date, other selected explanatory notes and the directors declaration.

Director's Responsibility for the Half Year Financial Report

The director's of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control releveant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the company, ARSE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF TRANSOL CORPORATION LIMITED (CONT'D)

Independence
In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of the company on 28th February 2007, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Basis of Qualified Conclusion
The following was noted in the director's declaration contained in the financial report of Transol Corporation Ltd for the years ended 30 June 2005 and 30 June 2006 and for the half year ended 31 December 2005.

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.

> 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 the 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.
>
> 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.

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF TRANSOL CORPORATION LIMITED (CONT'D)

Basis of Qualified Conclusion (Continued)

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 were 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 reports for the year ended 30 June 2005 and 2006 and the half year ended 31 December 2005.

Our auditors report on the financial reports for the year ended 30 June 2005 and 30 June 2006 and review report for the half year ended 31 December 2005 were modified accordingly.

Qualified Conclusion

In our opinion, except for the effect of the comparatives of the adjustments, if any, to the results of the operations for the year ended 30 June 2005 and 30 June 2006 and the half year ended 31 December 2005, which we might have determined to be necessary had the information and explanations we required been available,

based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Transol Corporation Ltd is not in accordance with the Corporations Act 2001 including:

i. giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the year ended on that date; and

ii. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001; and

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the company incurred operating losses of $250,026 during the half-year ended 31 December 2006. This condition, along with other matters set forth in Note 1, indicate the existence of a material uncertainty which can cast doubt about the company's ability to continue as a going concern.

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BENTLEYS MRI
CHARTERED ACCOUNTANTS

MARTIN FENSOME
PARTNER

Dated in Melbourne on the 13 of February 2007