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N O T I C E O F A N N U A L G E N E R A L M E E T I N G

E X P L A N A T O R Y S T A T E M E N T

P R O X Y F O R M

Date of Meeting

24 November 2009

Time of Meeting

11.30 am (WST)

Place of Meeting

The Park Business Centre
45 Ventnor Avenue
WEST PERTH WA 6005

YOUR ANNUAL REPORT IS AVAILABLE ONLINE, SIMPLY VISIT:
http://www.vmotoltd.com/images/annual_report_2009.pdf

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Vmoto Limited is to be held on Tuesday 24 November 2009 at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia, commencing at 11.30 am (WST).

Terms and abbreviations used in this Notice of Annual General Meeting and accompanying Explanatory Statement are defined in the glossary to the Explanatory Statement.

The Explanatory Statement that accompanies and forms part of this Notice describes the matters to be considered at this meeting.

ORDINARY BUSINESS

Financial Statements – Year ended 30 June 2009

To receive and consider the annual Financial Statements of the Company for the year ended 30 June 2009 including the Directors' Report and the Auditor's Report.

Resolution 1 – Remuneration Report

To consider and, if thought fit, to pass the following Resolution as a **non-binding resolution**:

> *"To adopt the Remuneration Report for the year ended 30 June 2009."*

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Resolution 2 – Re-Election of Director – Mr Yiting (Charles) Chen

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

> *"That, Mr Yiting (Charles) Chen, who retires in accordance with clause 13.2 of the Company's Constitution be re-elected as a Director of the Company. "*

Resolution 3 - Ratification of Issue of 1,658,476 Shares

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.4 and all other purposes, the Company approves and ratifies the allotment and issue to La Jolla Cove Investors, Inc. of 1,658,476 Shares, at a deemed issue price of $0.052 each, on the terms and conditions set out in the Explanatory Statement that forms part of this Notice."

> The Company will disregard any votes cast on Resolution 3 by any of the persons who participated in the issue the subject of Resolution 3 and any associate of any of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 - Ratification of Issue of 22,750,000 Shares

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.4 and all other purposes, the Company approves and ratifies the allotment and issue of 22,750,000 Shares, at an issue price of $0.16 each, to the parties and otherwise on the terms and conditions set out in the Explanatory Statement that forms part of this Notice."

> The Company will disregard any votes cast on Resolution 4 by any of the persons who participated in the issue the subject of Resolution 4 and any associate of any of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

DATED THIS 16th DAY OF OCTOBER 2009

BY ORDER OF THE BOARD

Shannon Coates

Shannon Coates
Company Secretary

NOTES:

1. A member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote on behalf of the member. A proxy need not be a member of the Company, but must be a natural person (not a corporation). A proxy may also be appointed by reference to an office held by the proxy (eg "the Company Secretary").

2. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the member's voting rights. If no such proportion is specified, each proxy may exercise half of the member's votes.

3. A proxy form is enclosed. A separate form must be used for each proxy. An additional form can be obtained by writing to the Company at Level 12, 251 Adelaide Terrace, Perth, Western Australia 6000 or by fax to (61 8) 9325 5313. Alternatively, you may photocopy the enclosed form.

4. A duly completed proxy form and (where applicable) any power of attorney or a certified copy of the power of attorney must be received by the Company at its registered office or the address or fax number set out below, not less than 48 hours before the time for commencement of the meeting. Please send by post to Level 12, 251 Adelaide Terrace, Perth, Western Australia 6000 or by fax to (61- 8) 9325 5313.

5. The Company will accept proxy appointments by a corporate member executed in accordance with either section 127(1) (not under seal) or section 127(2) (under seal) of the Corporations Act.

6. The time nominated by the Board for the purpose of determining the voting entitlements at the meeting is 5:00pm WST on Sunday 22 November 2009.

7. The Explanatory Statement attached to this Notice forms part of this Notice.

E X P L A N A T O R Y   S T A T E M E N T

This Explanatory Statement has been prepared to provide shareholders with material information to enable them to make an informed decision on the business to be conducted at the Annual General Meeting of Vmoto Limited ("**Company**").

The Directors recommend shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

Certain terms and abbreviations used in this Explanatory Statement have defined meanings which are explained in the glossary appearing at the end of this Explanatory Statement.

FINANCIAL STATEMENTS – YEAR ENDED 30 JUNE 2009

The first item of the Notice of Annual General Meeting deals with the presentation of the Annual Financial Report of the Company for the financial year ended 30 June 2009 together with the Directors' Declaration and Report in relation to that financial year and the Auditor's Report on those Financial Statements. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the accounts and on the business, operations and management of the Company.

The Chairman will also provide shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent Audit Report;
- the accounting policies adopted by the Company in relation to the preparation of accounts; and
- the independence of the Auditor in relation to the conduct of the audit.

RESOLUTION 1 – REMUNERATION REPORT

The Directors' Report for the year ended 30 June 2009 contains a Remuneration Report which sets out the policy for the remuneration of the Directors and executives of the Company. In accordance with section 250R(2) of the Corporations Act the Company is required to present to its shareholders the Remuneration Report as disclosed in the Company's 2009 Annual Report. Section 250R(3) of the

Corporations Act expressly provides that the vote on the Resolution is advisory only and does not bind the Directors or the Company.

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR YITING (CHARLES) CHEN

Mr Chen retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

Mr Chen is based in the Shanghai office, with a team of 4 managers and 17 staff. From 1993 – 2002, Charles held senior executive roles with Hainan Sundiro Motorcycle Company Limited. Hainan Sundiro was the largest publicly listed industrial company in China's Hainan Province. Hainan Sundiro was acquired by Honda Japan in 2001.

The positions held by Mr Chen during his tenure with Hainan/Honda Sundiro included International Business Export Manager, Manager - Vietnam Branch in charge of scooter distribution and retailing in the territories of Vietnam, Thailand, Pakistan and other regions, and Manager of Sundiro International Trade Company - imports/export division.

In 2003, Mr Chen established his own firm, named Hainan Freedom Company Limited, focusing on outsourced motorcycle design. His original company acted as the Chinese representative for the prestigious Italian motorcycle design house, Guigiano and well known Italian scooter brand, STM.

Mr Chen founded Freedomotor Company Limited in 2004 through a management buyout of key assets. Freedomotor was acquired by Vmoto in January 2007.

Mr Chen holds a bachelor of Automobile Engineering from Wuhan University of Automobile Technology (China) and a postgraduate Diploma of Business Administration from South Wales University (UK).

Directors' Recommendation

The Board (other than Mr Chen) recommends shareholders vote in favour of the Resolution.

RESOLUTION 3 – RATIFICATION OF ISSUE OF 1,658,476 SHARES

Background

As announced on 9 April 2009, the Company executed an agreement ("Agreement") with US institutional investor La Jolla Cove Investors, Inc. ("Debenture Holder") for the issue of up to four convertible debentures, each with a face value of US$1,500,000, to raise up to US$6,000,000.

The Company immediately issued the first debenture ("Convertible Debenture") to the Debenture Holder on the key terms contained in Annexures A and B to this Explanatory Statement.

As announced on 10 June 2009, the Company elected to terminate the Agreement. As at the date of termination of the Agreement, the Debenture Holder had paid the Company US$200,000 of the principal amount of the Convertible Debenture.

At a general meeting of the Company held on 28 August 2009, the Company ratified the issue of the Convertible Debenture and 4,440,307 Shares that had already been issued on part conversion of the Convertible Debenture.

After the Notice of Meeting for the general meeting held on 28 August 2009 was finalised, the Debenture Holder made two further elections to convert the Convertible Debenture. On 27 July 2009, 867,503 Shares were issued at a deemed issue price of $0.052 each and on 29 July 2009, a further 790,973 Shares were issued at a deemed issue price of $0.052 each. The issue of these 1,658,476 Shares resulted in the full conversion of the outstanding portion of the Convertible Debenture. No further Shares will be issued in relation to the Convertible Debenture.

The Resolution

Resolution 3 seeks shareholder ratification to the issue of the abovementioned 1,658,476 Shares issued upon full conversion of the Convertible Debenture, pursuant to Listing Rule 7.4.

Listing Rule 7.4

Listing Rule 7.4 enables the shareholders of a company to ratify a previous issue of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold set by Listing Rule 7.1.

If the issue of the 1,658,476 Shares is ratified by shareholders pursuant to this Resolution, the Company will restore its right to issue further securities within the 15% limit contained in Listing Rule 7.1 during the next 12 months.

Additional Information

For the purpose of Listing Rule 7.5, the following information is provided:

1. 1,658,476 Shares were issued upon full conversion of the Convertible Debenture;

2. The Shares were issued at a deemed conversion price of $0.052 each;

3. The Shares issued upon conversion of the Convertible Debenture were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the existing Shares on issue.

4. The Shares were issued to La Jolla Cove Investors, Inc., which is not a related party of the Company; and

5. No funds were raised from the issue of the Shares as these Shares were issued in full conversion of the Convertible Debenture.

Directors' Recommendation

The Board recommends shareholders vote in favour of the Resolution.

RESOLUTION 4 – RATIFICATION OF ISSUE OF 22,750,000 SHARES

Background

As announced on 5 October 2009, the Company executed an agreement ("Agreement") whereby it has secured the remaining 33% interest in the Nanjing JV, owner of the Nanjing manufacturing facility ("Nanjing Facility"), taking the Company's interest in the Nanjing Facility to 100% and making it a wholly owned subsidiary.

The Agreement between Vmoto Limited and the minority shareholders in the Nanjing JV was reached for a total consideration of US$1,300,000.

To fund the acquisition and provide ongoing working capital, on 16 October 2009, the Company issued 21,875,000 fully paid ordinary shares, at an issue price of $0.16, to raise $3,500,000. The Placement was made pursuant to the Company's existing 15% capacity and under s708 of the Corporations Act to sophisticated investors.

On the same date, the Company also issued 875,000 fully paid ordinary shares, at a deemed issue price of $0.16 each, in consideration for professional services provided in connection with the Placement.

The Resolution

Resolution 4 seeks shareholder ratification to the issue of the abovementioned 22,750,000 Shares issued, pursuant to Listing Rule 7.4.

Listing Rule 7.4

Listing Rule 7.4 enables the shareholders of a company to ratify a previous issue of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold set by Listing Rule 7.1.

If the issue of the 22,750,000 Shares is ratified by shareholders pursuant to this Resolution, the Company will restore its right to issue further securities within the 15% limit contained in Listing Rule 7.1 during the next 12 months.

Additional Information

For the purpose of Listing Rule 7.5, the following information is provided:

1. 22,750,000 Shares were issued;

2. 21,875,000 Shares were issued at an issue price of $0.16 each; 875,000 Shares were issued at a deemed issue price of $0.16;

3. The Shares issued were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the existing Shares on issue.

4. 21,875,000 Shares were issued to sophisticated clients of Absolute Investments Australia Pty Ltd and 875,000 Shares were issued to nominees of Absolute Investments Australia Pty Ltd in consideration for professional services provided in connection with the Placement. None of the allottees are related parties of the Company; and

5. $3,500,000 was raised the issue of the Shares and was used to fund the acquisition of the remaining 33% interest in the Nanjing JV, owner of the Nanjing manufacturing facility, and for ongoing working capital.

Directors' Recommendation

The Board recommends shareholders vote in favour of the Resolution.

GLOSSARY

The following terms have the following meanings in this Explanatory Statement:

"**ASX**" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Board**" means the board of Directors;

"**Company**" means Vmoto Limited ABN 36 098 455 460;

"**Constitution**" means the constitution of the Company;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Director**" means a director of the Company;

"**Listing Rules**" means the Listing Rules of the ASX;

"**Notice**" or "**Notice of Meeting**" means the notice of annual general meeting accompanying this Explanatory Statement;

"**Option**" means an option to acquire a Share;

"**Resolution**" means a resolution the subject of the Notice;

"**Share**" means an ordinary fully paid share in the capital of the Company; and

"**WST**" means Australian Western Standard Time.

ANNEXURE A
KEY TERMS OF CONVERTIBLE DEBENTURE

The Convertible Debenture ("**Debenture**") was issued on the following key terms:

- Maturity date: 30 April 2012, prior to which the Debenture is convertible, either in whole or in part up to the full principal amount, into fully paid ordinary shares in the capital of the Company ("**Ordinary Shares**") at the election of the Debenture Holder;
- Interest: 6% per annum, payable in cash or shares at the option of the Debenture Holder;
- Conversion price: the lesser of A$0.50 or 80.01% of the average of the three lowest volume weighted average prices during the 20 trading days prior to the Debenture Holder's election to convert, provided that if the Debenture Holder elects to convert the Debenture in whole or in part and, on the day that the election is made, the volume weighted average price per Ordinary Share is below the floor price of A$0.015, the Company shall have the right to prepay that portion of the Debenture that the Debenture Holder elected to convert, plus any accrued and unpaid interest, at 150% of such amount.

The Convertible Debenture was issued with the face value of US$1,500,000 payable in the following instalments:

- US$50,000 within two business days after the execution of the Agreement ("Funding Commencement Date");
- no less than US$150,000 on the day which is 45 days after the Funding Commencement Date;
- no less than US$300,000 on the day which is 90 days after the Funding Commencement Date; and
- no less than US$500,000 (or such lesser amount that equals the remaining amount of the US$1,500,000 purchase price) on a monthly basis commencing on the day which is 120 days after the Funding Commencement Date.

Other than for the initial payment of US$50,000, the following material conditions must be satisfied on each other date of payment referred to above (or waived by the Debenture Holder):

(a) no event of default has occurred under the terms of the Debenture;

(b) the Company has obtained all consents and approvals for the issue of the Debenture;

(c) the Company has honoured all conversion notices submitted by the Debenture Holder within the applicable time period set forth in the Debenture; and

(d) the average volume weighted average price per Ordinary Share for every period of 10 consecutive trading days during the term of the Debenture is not less than A$0.02.

After the initial payment of US$50,000, either party may terminate their respective obligations with respect to the remaining portions of the Debenture within the first 120 days after the Funding Commencement Date. Upon such termination, the Debenture Holder shall have no obligation to pay any of the purchase price associated with such remaining portion of the Debenture and neither party shall have any further obligations or duties under the Agreement or the Debenture agreements with respect to the purchase of any of such remaining portion of the Debenture or any of the second, third and fourth debentures.

The Debenture Holder's obligation to purchase the Debenture was subject to the satisfaction of the conditions precedent set out in Annexure B.

ANNEXURE B
CONDITIONS PRECEDENT

(a) delivery by the Company of the Debenture to the Debenture Holder;

(b) the accuracy on the relevant closing date of the representations and warranties of the Company contained in the Agreement and the performance by the Company in all respects on or before the relevant closing date of all covenants and agreements of the Company required to be performed by it pursuant to the Agreement on or before the relevant closing date, all of which shall be confirmed to the Debenture Holder by delivery of a certificate thereof;

(c) delivery by the Company of a certificate certifying the resolutions adopted by the Company's board authorising the execution of the documents, the issuance of the securities and copies of any required third party consents, approvals and filings required in connection with the consummation of the transactions contemplated by the Agreement;

(d) there not having occurred (i) any general suspension of trading in, or limitation on prices listed for, the Ordinary Shares (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in Australia or the United States of America (iii) in the case of the foregoing existing at the date of the Agreement, a material acceleration or worsening thereof or (iv) any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or a material adverse change in, the United States or Australian financial market, as in the reasonable judgment of the Debenture Holder, making it inadvisable to acquire the Debenture on the relevant closing date;

(e) there not having occurred any event or development, and there being in existence no condition, having or which reasonably and foreseeably could have a material adverse effect (as defined in the Agreement);

(f) there not being in effect any law, order, ruling, judgment or writ of any court or public or governmental authority restraining, enjoining or otherwise prohibiting any of the transactions contemplated by the Agreement;

(g) the Company having obtained all consents, approvals, confirmations or waivers from governmental authorities and third persons necessary for the execution and performance of the documents and the transactions contemplated by the documents, including shareholder approval being obtained in accordance with the Corporations Act and the ASX Listing Rules;

(h) the Debenture Holder having received such additional documents, certificates, payment, assignments, transfers and other deliveries as it or its legal counsel may reasonably request and as are customary to effect a closing of the matters contemplated;

(i) delivery by the Company of a legal opinion with respect to the Company and its subsidiaries regarding the enforceability of the Agreement and the transactions contemplated thereunder in a form and substance satisfactory to the Debenture Holder;

(j) the Debenture Holder having obtained, where necessary, approval of the purchase of the Debenture by the Foreign Investment Review Board under the Australian *Foreign Acquisitions and Takeovers Act* 1975 (Cth); and

(k) where the purchase of the Debenture could result in the Debenture Holder, upon conversion, acquiring a relevant interest in Ordinary Shares which would cause the voting power in the Company of the Debenture Holder and its associates to exceed 20% or to increase from a starting point that is above 20% and below 90%, and no relevant exception applies, the Company shall have obtained approval by the requisite majority of its shareholders of that acquisition in accordance with the Corporations Act.

ABN 36 098 455 460

Lodge your vote:

By Mail:
Vmoto Limited
Level 12, 251 Adelaide Terrace,
Perth, Westerna Australia 6000

Alternatively you can fax your form to
(within Australia) 08 9325 5313
(outside Australia) +61 8 9325 5313

For all enquiries call:

(within Australia) 1300 557 010
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by 11.30am (WST) Sunday, 22 November 2009

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.computershare.com.

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔

View the annual report

www.vmotoltd.com/images/annual_report_2009.pdf

Update your security holding, 24 hours a day, 7 days a week:

www.investorcentre.com

Your secure access information is: **SRN/HIN:**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Vmoto Limited hereby appoint

☐ **the Chairman of the meeting** **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Vmoto Limited to be held at The Park Business Centre, 45 Ventnor Avenue, West Perth WA 6005 on Tuesday, 24 November 2009 at 11:30am (WST) and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Remuneration Report	☐	☐	☐
Resolution 2	Re-Election of Director - Mr Yiting (Charles) Chen	☐	☐	☐
Resolution 3	Ratification of Issue of 1,658,476 Shares	☐	☐	☐
Resolution 4	Ratification of Issue of 22,750,000 Shares	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________________ **Contact Daytime Telephone** ____________________ **Date** ___/___/___

VMOTO LIMITED
ANNUAL REPORT 2009

CORPORATE DIRECTORY

Directors
Mr Patrick Davin – Managing Director
Mr Yi Ting (Charles) Chen – Executive Director
Mr Trevor Beazley – Non-Executive Director

Auditors
PKF Chartered Accountants
Level 7, BGC Centre
28 The Esplanade
Perth Western Australia 6000

Company Secretary
Ms Shannon Coates

Bankers
National Australia Bank
1238 Hay Street
West Perth Western Australia 6005

Principal and Registered Office
Level 12, 251 Adelaide Terrace
Perth Western Australia 6000

Telephone: +61 8 9221 6175
Facsimile: +61 8 9325 5313

Solicitors
Blakiston & Crabb
1202 Hay Street
West Perth Western Australia 6005

Share Registry
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth Western Australia 6000

Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Securities Exchange
Australian Securities Exchange
Exchange Plaza
2 The Esplanade
Perth Western Australia 6000

Websites
www.vmoto.com
www.vmotoltd.com

ASX Code: VMT

Vmoto Limited is a public company listed on the Australian Securities Exchange and incorporated in Western Australia.

CONTENTS

OPERATIONS REVIEW

SUMMARY

The financial year ended 30 June 2009 was an incredibly challenging, yet highly rewarding one for Vmoto Limited ("Vmoto" or "the Company") and its subsidiaries (together referred as the "Consolidated Entity").

Construction of the Consolidated Entity's new manufacturing facility in Nanjing, China ("Nanjing Facility") coincided with arguably the biggest economic slowdown since the Great Depression. Despite this, the Vmoto team completed the factory build on time and on budget, while at the same time securing large and continuing orders to ensure the Facility's success.

The Nanjing Facility was completed in September 2008 and subsequently achieved all necessary regulatory certification to enable the manufacture of engines, scooters and small 4WD vehicles for the world export markets. Compliance testing was also completed within this period and new models of scooters designed and developed to meet production requirements for the second half of the 2009 calendar year.

The Nanjing Facility was fully fitted with production facilities, including 3 production lines which will become operational later this calendar year. Staff training also took place to ensure the highest standard of quality for products coming off the production lines.

The two rental premises that were previously being used by the Consolidated Entity in China were closed and all manufacturing plant and equipment transferred to and re-commissioned at the Nanjing Facility.

The Consolidated Entity grew its revenue base by nearly 37% in the period with sales of over A$48 million, the Consolidated Entity's fourth year of consistent growth. Freedomotor Corporation Limited ("FMC") (which is anticipated to be renamed Vmoto International Limited) again achieved excellent growth and most of the Consolidated Entity's revenue was attributed to FMC's agency business, however with the Nanjing Facility now operational, it is anticipated this business will gradually be transferred to Vmoto manufactured products.

OPERATIONS REVIEW (CONT'D)

Despite growth in revenue, the Consolidated Entity incurred a loss of A$4,235,764 for the year ended 30 June 2009, which can largely be attributed to the construction of the Nanjing Facility and resulting distraction from normal operations of the Consolidated Entity during the transition from the previous manufacturing facility in Wuxi to Nanjing. Completion of the Nanjing Facility, coupled with implementation of the recent cost saving initiatives, means the Consolidated Entity can now look forward to profitable operations from higher margin sales, to be delivered from its own factory.

To coincide with the Nanjing Facility becoming operational, the Consolidated Entity also signed a delivery contract for 30,000 scooter units for the Vietnamese market. This contract underwrites the first year's production from the Nanjing Facility, with delivery of the first part of the order expected to take place in the second half of calendar year 2009. These scooters will represent the first mass production from the new Nanjing Facility and will feature Vmoto's 125 cc water cooled four stroke fuel injected engine, developed by the engineering team at the Nanjing Facility. This is a unique Vmoto product and is class leading in its power and emissions. The Consolidated Entity has patent applications currently pending in relation to this engine.

Completion of the Nanjing Facility has also enabled the transfer of the manufacturing of the Scartt AWD vehicle from Spain to China and this has been completed over the last few months. Spain will continue to act as a design and distribution centre for Vmoto, with all manufacturing now taking place in Nanjing, enabling the Consolidated Entity to produce a better quality vehicle in larger quantities and at more competitive pricing. Customer interest in the Scartt is high and production to meet first orders is expected in late November 2009.

In conjunction with its petrol engine developments, Vmoto also announced it was developing a range of Green Energy Electric Vehicles, which it regards as the future of the Company's manufacturing business. A separate division within the Company has been developed for this purpose and relationships have been established with expert consultants to provide advice. It is planned to have both electric scooters and Scartt AWDs available by mid 2010.


KING STREET
Montego

OPERATIONS REVIEW (CONT'D)

The abovementioned developments and advancements within the Consolidated Entity cannot occur without funding and, via a series of capital raisings and third party arrangements, the Consolidated Entity has been able to source sufficient funds to carry out current developments and meet the Consolidated Entity's ongoing cash flow requirements.

2010 promises to be a year that sees the Consolidated Entity generate profit from its operations and focus on growth into new markets as a result of massive demand for its products.

OPERATIONAL OVERVIEW

Australia and New Zealand

Sales in Australia and New Zealand for the year fell behind target. This is attributed to the delayed reaction by customers to the recent world economic crisis. Although these territories only represent a very small percentage of Vmoto's global revenue, it is considered important that the Company's profile remains high in its country of origin, Australia. With this in mind, representatives of the Company entered into discussions with its distributors to develop a better sales strategy in Australia and New Zealand in the upcoming year.

Three new models of scooters will be added to the range in the near future and this, together with a concerted push and re-pricing campaign for the spring and summer markets, is anticipated to substantially increase sales.

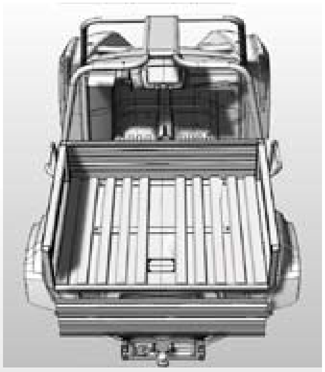
Vmoto UAE

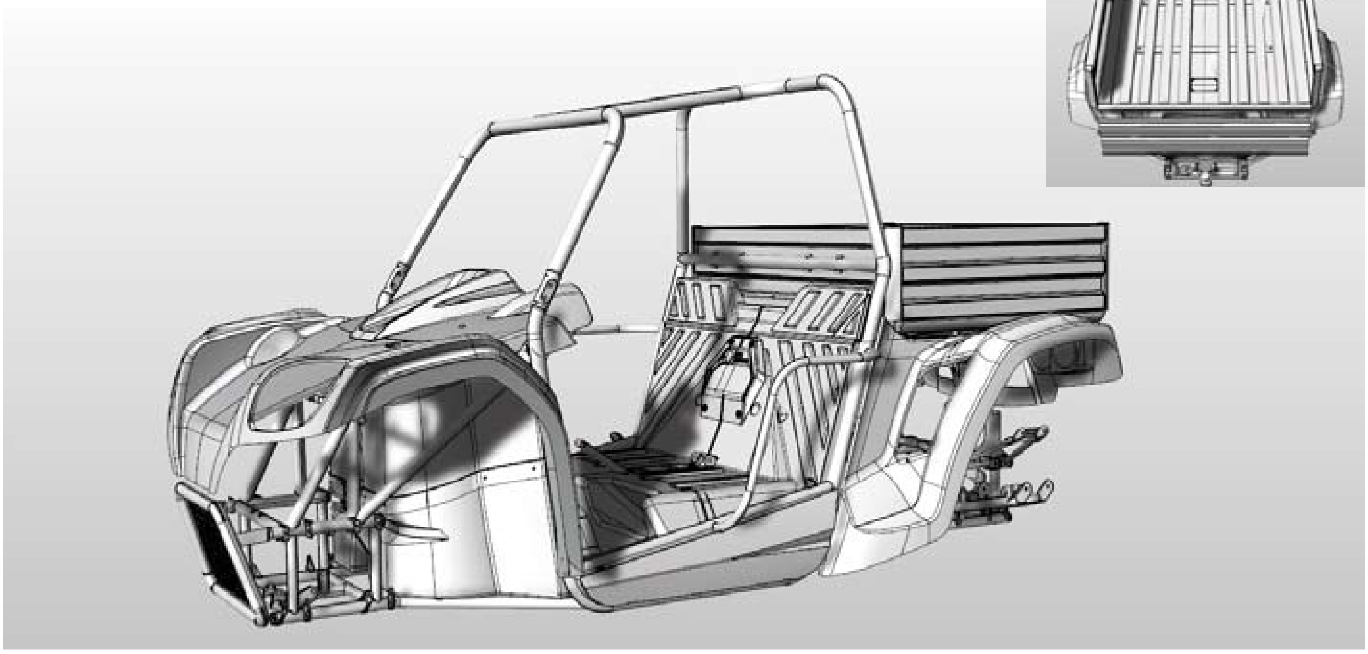
Sales to the UAE also remained slow during the 2009 financial year as the distributor continued to work down inventory. However interest from a number of other Middle Eastern countries has remained high and samples of products have been sent to six other countries in this region for evaluation. In particular, a great deal of interest has been expressed in the Vmoto Scartt AWD vehicle, with orders expected by the end of the calendar year 2009.

FMC & Team Cyber

The combined agencies of FMC and Team Cyber have had a very successful year, with this remaining the strongest performing area within the Consolidated Entity at present. The European inventories are now reasonably high and, consequently, a reduction in European sales is expected over the first quarter of the 2010 financial year.

In contrast, sales into the South East Asian markets started to pick up after a slow start, with significant orders for large customers being concluded in the last quarter of the 2009 financial year. Delivery will not commence on most of these orders until December 2010, however it is looking very promising as the order book continues to grow. Korea and Vietnam are becoming very important customers.





OPERATIONS REVIEW (CONT'D)

Nanjing Manufacturing Facility Update.

The new Nanjing Facility continued its strong progress during the year, with the recent completion and installation of the welding and painting facilities for the Scartt AWD vehicle production. Final tooling is also now in place to enable the Consolidated Entity to meet the recently signed large order commitment for a Vietnamese customer. Staff training continues, with mass production of both scooters and the Scartt AWD vehicle expecting to take place from November 2009.

A team of over 25 engineers, under the leadership of General Manager, Mr Li Gang, is busy putting the final touches on the Vietnam "Version 1" retro scooter program, with prototypes undergoing long distance road trials prior to mass production.

The Consolidated Entity's stock of nearly 1000 125cc 4 stroke engines has also been shipped to a customer in Korea.

The Scartt AWD program also advanced quickly under the guidance of Mr Carlos Sotelo, who resided in Nanjing in the final quarter of the year. Three versions of this vehicle, including an electric version, are all now well advanced in development and delivery of the first Scartts to customers expected in December of this year.

Many potential customers continue to visit Vmoto's operations in Nanjing to examine product and discuss the availability of scooters and the Scartt with our marketing team. Further orders are expected soon.

OPERATIONS REVIEW (CONT'D)

Product Update

Three new scooter models underwent compliance testing during the final quarter of the year. These scooters will be available for the Australian and New Zealand markets. Final SUTI inspection and certification is impending, with release to the market anticipated soon thereafter. These new models are expected to significantly assist sales in the 2010 financial year.

The Version 1 scooter program continued to progress well, with the Vietnamese customer recently inspecting the final scooter and confirming it meets with their requirements. Mass production and delivery of this scooter is expected in November 2009. Orders for this scooter are now confirmed at 60,000 units over the next two years with a minimum of 30,000 for delivery in the 2010 calendar year.

In addition, three new models of scooters are currently being designed by the Company's design team in Spain. These proprietary models, which are expected to go into development within the next 6 months, include an electric scooter. The Company hopes to have these new models in production by mid 2010.

The Scartt AWD vehicle program is ahead of schedule, following much development work during May and June 2009. Supply contracts for parts continue to be concluded and the first fully Nanjing built Vmoto Scartt AWD's are expected to come off the production line in December 2009.

The Company remains extremely excited as mass production approaches for both the Version 1 scooter and the Scartt, and it continues to develop new cutting edge models for the future.

OPERATIONS REVIEW (CONT'D)

CORPORATE ACTIVITY

The 2009 financial year proved to be a very busy period for the Company at the corporate level. The program to rationalise staff and operations was completed, with cost savings being made across the entire Company. The benefits of these cost savings will be evident as the Company hits profitability in this coming year.

As part of the re-organisation, the Company employed Mr Yin How (Ivan) Teo as Group Chief Financial Officer for Vmoto Limited. Mr Teo, a Chartered Accountant who is fluent in both Mandarin and Cantonese, will be extremely important to the Company as its Nanjing operations continue to grow in the next few years. Mr Teo has already travelled to the Company's Shanghai and Nanjing facilities to assist Vmoto's external auditor with its review of operations. The Company is extremely happy with Mr Teo's appointment.

Management continued its efforts to manage the funding requirements for the Company's ongoing developments, which were made harder by the global economic crisis. During the year, the Company entered into a Convertible Debenture arrangement with La Jolla Investments Group in the United States, which was later terminated and replaced in favour of a less dilutionary placement to sophisticated investors within Australia, raising A$3 million. This arrangement not only permitted the Company to raise the final funds required to repay debt and commence start up at the Nanjing Facility, it also added some of Australians leading investors to our share registry.

Management has also commenced discussions with one of China's leading banks, The Bank of China for access to an operational funding facility. This was subsequently completed in August for approximately A$1.56m, which will allow the Company to commence mass production without the need for further, alternate funding arrangements.

OPERATIONS REVIEW (CONT'D)

OUTLOOK

The next 12 months promises to be the most rewarding for the Company so far. We have successfully weathered the biggest global economic downturn in the last 80 years and anticipate that the recession that the world experienced in the last 18 months is beginning to level out and improve, with world economies are now showing "green shoots" of growth.

This resurgence of the world economies coincides with production coming on-line from the Nanjing Facility and will allow us to supply to a market that has been somewhat dormant over the last 12 months. We are producing environmentally friendly, economical forms of transport to a now growing world market and can assure our customers of quality products and consistency of supply.

We have our design and engineering team from Spain spending valuable time at the factory in Nanjing which allows us to make rapid advancements in the development of our vehicles especially the development of low emission fuel injected petrol engines and our electric vehicle developments.

Patrick Davin
Managing Director

DIRECTORS' REPORT

The Directors present their report together with the financial statements of Vmoto Limited ("Vmoto" or the "Company") for the financial year ended 30 June 2009, the consolidated financial statements of the consolidated entity, being the Company and its controlled entities (the "Consolidated Entity"), for the financial year ended 30 June 2009 and the independent auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the financial year are:

Name	**Experience and responsibilities**
Patrick Davin	Mr Davin was appointed as Managing Director of the Company on 30 June 2006.
Managing Director	Mr Davin is one of the original founders of Capital Pacific Pty Ltd ("Capital Pacific"), the owner of Vmoto Motorcycles Australia, having established that company in 1999 following a long term association with Chinese industry. He has been Managing Director of Capital Pacific since its inception and has directly overseen the growth of Vmoto to the number one position in the Australian scooter market. He has extensive contacts in Chinese business and industry and spends more than 3 months in China on an annual basis.
	Mr Davin was also co-founder and a non-executive director of Australian listed mining company Ferraus Limited until 2007, and worked for some of Perth's leading mining companies in senior marketing roles prior to starting his own businesses in 1995.
Yi Ting (Charles) Chen	Mr Chen was appointed as Executive Director of the Company and CEO of FMC on 5 January 2007, following the acquisition of FMC by Vmoto.
Executive Director, CEO of FMC	Mr Chen founded FMC in 2004, through a management buyout of key assets. He holds a Bachelor of Automobile Engineering from Wuhan University of Automobile Technology (China) and a postgraduate Diploma of Business Administration from South Wales University (UK).
	From 1993 to 2002, Mr Chen held senior executive roles with Hainan Sundiro Motorcycle Company Limited, the largest publicly listed industrial company in Hainan Province. Hainan Sundiro was acquired by Honda Japan in 2001.
	Mr Chen is based in Shanghai, China, and oversees all Chinese operations and JV activities.
	Mr Chen will be retiring and seeking re-election by shareholders at the Company's 2009 Annual General Meeting.
Trevor Beazley	Mr Beazley was appointed as Non-Executive Director of the Company on 26 October 2006.
Non-Executive Independent Director	Mr Beazley holds a Bachelor of Business degree in Accounting, along with over ten years experience in capital markets. He is the founder and Managing Director of Perth based corporate advisory firm Maiden Capital, specialising in ASX listings and capital raisings.
	Mr Beazley also acts as non-executive director of Coretrack Limited, an ASX listed company providing leading R&D based technological solutions to the global oil and gas industry.

DIRECTORS' REPORT (CONT'D)

COMPANY SECRETARY

Shannon Coates, LLB, ACIS

Ms Coates was appointed as Company Secretary on 10 May 2007.

Ms Coates completed a Bachelor of Laws through Murdoch University in 1993 and has since gained over 14 years in-house experience in corporate law and compliance for public companies within the financial services industry. She is a Chartered Secretary and an Associate Member of both the Institute of Chartered Secretaries & Administrators and Chartered Secretaries Australia.

Ms Coates is currently employed as Legal & Compliance Counsel with Evolution Capital Partners and is also company secretary to the listed companies Coal of Africa Limited, Coretrack Limited and Ram Resources Limited.

Director Resignations

Lee Verios, LLB

Mr Verios was appointed as Chairman of the Company on 15 August 2007 and resigned on 29 September 2009.

Non-Executive Independent Chairman resigned on 29 September 2009

Mr Verios is an experienced commercial lawyer. He is a partner in the international law firm of Deacons and is the leader of its Commercial Property division in Perth. In that capacity, he has been involved in some of the largest commercial property transactions in Western Australia in recent times.

Mr Verios also acts as Chairman of Port Bouvard Limited, an ASX listed company focuses on the development and sale of residential land, and its main original projects were Port Bouvard Residential Resort Estate near Mandurah and a joint venture at Princeton Private Estate in Stirling.

In addition, Mr Verios acts as Chairman to the Perth based Wyllie Group Pty Ltd, one of Western Australia's largest private investors with significant holdings nationally in property investment, commercial and residential property development, farming, financial services, share trading and strategic public and private company interests.

Mr Verios is also a Director of Kailis Organic Olive Groves Ltd, an unlisted public company managing some of the largest organic olive groves in the world and which is in the process of establishing an international brand for its premium grade extra virgin olive oil.

A member of the Australian Institute of Company Directors and of the Law Society of WA, Mr Verios also has significant experience in managing large professional service firms and in the establishment of various commercial activities both on a national and international basis.

Blair Sergeant, BBus, Post Grad Dip Corp Admin, ACIS, ASCPA

Mr Sergeant was appointed as Executive Director of the Company from 29 January 2004 to 31 December 2007 and Non-Executive Director of the Company from 1 January 2008 to 29 September 2009.

Non-Executive Director resigned on 29 September 2009

Mr Sergeant graduated with a Bachelor of Business and a Post Graduate Diploma in Business (Corporate Administration), both from Curtin University, Western Australia. He is a member of the Chartered Institute of Company Secretaries and an Associate of the Australian Society of Certified Practicing Accountants.

Mr Sergeant is currently Finance Director of Coal of Africa Limited and non-executive director of Ram Resources Limited.

DIRECTORS' REPORT (CONT'D)

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by Directors of the Company during the last 3 years immediately before the end of the financial year are as follows:

		Period of directorship	
Director	**Company**	**From**	**To**
Mr P Davin	Ferraus Limited	2005	2007
Mr C Chen	-	-	-
Mr T Beazley	Pulse Health Limited	2006	2009
	Coretrack Limited	2009	Present
Mr B Sergeant	Millepede International Limited	2002	2008
	Coal of Africa Limited	2004	Present
	Ram Resources Limited	2008	Present

DIRECTORS' MEETINGS

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the year ended 30 June 2009 are:

	Board Meetings	
Director	**Held while Director**	**Attended**
Mr L Verios	3	3
Mr P Davin	3	3
Mr C Chen	3	2
Mr T Beazley	3	3
Mr B Sergeant	3	3

There is presently no audit committee as all audit issues are addressed by the full Board.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year ended 30 June 2009 was the global manufacture and distribution of scooters and motorcycles.

OPERATING AND FINANCIAL REVIEW

Results

The Consolidated Entity incurred a loss of $4,235,764 (2008: $8,642,820) after income tax for the year ended 30 June 2009.

Operating review

A review of operations for the financial year is set out in the Operations Review preceding the Directors' Report.

Significant Changes in the State of Affairs

Total consolidated sales of $48.4 million were recorded for the Consolidated Entity during the financial year. The revenue of the Consolidated Entity has increased by 37%, largely as a result of the successful aggregation strategy employed by the Board.

DIRECTORS' REPORT (CONT'D)

The Consolidated Entity's net assets have increased by $3.9 million during the year ended 30 June 2009, largely as a result of the $7 million share placement completed in July 2008, Tranche 1 of a $3 million placement completed in June 2009 and the construction of the Company's new manufacturing facility in Nanjing, China during the year.

Fully paid ordinary share capital increased during the year as follows:
- On 8 July 2008, four $25,000 convertible notes plus interest were converted into 1,026,445 shares, at a deemed issue price of 11 cents per share, to the value of $112,909;
- On 14 July 2008, the Company completed a $7 million share placement, issuing 77,777,778 shares at an issue price of 9 cents per share;
- On 27 August 2008, four $25,000 convertible notes plus interest were converted into 1,164,826 shares at a deemed issue price of 9.8 cents per share, to the value of $114,153;
- On 15 April 2009, $5,000 of a 6% convertible debenture with a face value of US$1.5 million issued to La Jolla Cove Investors, Inc. ("Convertible Debenture") was converted into 156,495 shares, at a deemed issue price of 3.195 cents per share;
- On 22 April 2009, $10,000 of the Convertible Debenture was converted into 314,288 shares, at a deemed issue price of 3.182 cents per share;
- On 23 April 2009, $8,000 of the Convertible Debenture was converted into 251,430 shares, at a deemed issue price of 3.182 cents per share;
- On 29 April 2009, $12,000 of the Convertible Debenture was converted into 377,145 shares, at a deemed issue price of 3.182 cents per share;
- On 7 May 2009, $20,000 of the Convertible Debenture was converted into 639,304 shares, at a deemed issue price of 3.128 cents per share;
- On 16 June 2009, $25,000 of the Convertible Debenture was converted into 823,723 shares, at a deemed issue price of 3.035 cents per share; and
- On 24 June 2009, the Company completed Tranche 1 of a $3 million share placement to sophisticated investors, issuing 27,187,500 shares at an issue price of 4 cents per share, to the value of $1,087,500.

Review of Financial Condition

The Company had the following interest bearing liabilities as at 30 June 2009:
- Hire purchase liabilities of $17,350;
- Private loans to the Company of $1,640,119 including interest accrued;
- Convertible notes and Convertible Debenture of $936,303 including accrued interest; and
- Vendor Finance valued at $472,642.

Impact of legislation and other external requirements

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the Consolidated Entity.

There were no changes in environmental or other legislative requirements during the year that have significantly affected the results or operations of the Consolidated Entity.

DIVIDENDS

No dividend has been declared or paid by the Company to the date of this Report.

EVENTS SUBSEQUENT TO BALANCE DATE

On 3 July 2009, 2.5 million Class E Options were issued to Transocean Securities Pty Ltd as part of the fees for corporate advisory services provided during the year ended 30 June 2009. These options are exercisable at 10 cents each on or before 3 July 2012.

Post 30 June 2009, the outstanding principal amount of the Convertible Debenture was fully converted into shares and all accrued interest was fully paid at the date of this report.

Conversions of the Convertible Debenture after 30 June 2009 were as follows:
- On 8 July 2009, $25,000 of the Convertible Debenture was converted into 567,769 shares at a deemed issue price of 4.4 cents per share;
- On 16 July 2009, $63,000 of the Convertible Debenture was converted into 1,310,153 shares, at a deemed issue price of 4.8 cents per share;
- On 27 July 2009, $45,000 of the Convertible Debenture was converted into 867,503 shares, at a deemed issue price of 5.2 cents per share; and
- On 29 July 2009, $41,030.14 of the Convertible Debenture, being the final outstanding principal amount, was converted into 790,973 shares at a deemed issue price of 5.2 cents per share.

On 28 August 2009, $1,912,500, being the remaining balance of the $3 million share placement, was received. The Company issued 47,812,500 shares at 4 cents per share pursuant to approval by shareholders at a General Meeting held on 28 August 2009.

The funds raised will be applied towards the Company's Nanjing manufacturing facility as it commences full scale production over the next few months, repayment of debt and for general working capital purposes.

Also, pursuant to approval by shareholders at the General Meeting held on 28 August 2009, the following shares were issued at a deemed issue price of 4 cents per share on 28 August 2009:
- 3,120,600 shares were issued to Mr Carlos Sotelo as consideration for the acquisition of additional parts and equipment to be used in production of the SCARTT. Mr Sotelo has entered into a voluntary escrow agreement with the Company and these shares will be escrowed for 12 months from the date of issue;
- 1,375,000 shares were issued to Mr William Ali as consideration for consulting and advisory services provided to 30 June 2009;
- 1,532,813 shares were issued to a nominee of Mr Lee Verios in lieu of fees owing to Mr Verios as at 30 June 2009;
- 1,819,251 shares were issued to a nominee of Mr Trevor Beazley in lieu of fees owing to Mr Beazley as at 30 June 2009;
- 1,603,685 shares were issued to Mr Blair Sergeant in lieu of fees owing to Mr Sergeant as at 30 June 2009;
- 2,500,000 shares were issued to Mr Patrick Davin as part repayment of a loan provided by Mr Davin to the Company;
- 3,197,337 shares were issued to Mr Charles Chen as full repayment of a loan, including accrued interest, provided by Mr Chen to the Company in relation to the acquisition of FMC in December 2006;
- 625,000 shares were issued to KTA Capital, LLC as part payment of fees payable on termination of the agreement with US institutional investor La Jolla Cove Investors, Inc for the issue of up to four convertible debentures, each with a face value of US$1.5 million, to raise up to US$6 million. KTA Capital, LLC was the corporate advisor to the transaction; and
- 3,375,000 shares were issued to a nominee of Absolute Investments Australia Pty Ltd as payment for professional services provided in relation to the $3 million share placement completed on 28 August 2009.

Other than the above and as noted elsewhere in the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

DIRECTORS' REPORT (CONT'D)

LIKELY DEVELOPMENTS

In conjunction with its petrol engine developments, the Company also announced it was developing a range of Green Energy Electric Vehicles, which the Company regards as the future of the Company's manufacturing business.

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years are discussed in the Operations Review.

DIRECTORS' INTERESTS

The relevant interests of each Director in the shares and options issued by the Company at the date of this report are as follows:

Director	Ordinary shares	Options
Mr L Verios(1)	3,838,368	1,500,000
Mr P Davin	34,601,111	2,000,000
Mr B Sergeant(2)	4,392,724	2,000,000
Mr T Beazley(3)	5,290,585	1,500,000
Mr C Chen(4)	20,283,052	2,000,000

1 500,000 shares are held indirectly by Veracity Pty Ltd as trustee for the Leejo Super Fund. Mr Verios is a director and shareholder of Veracity Pty Ltd and beneficiary of the Leejo Super Fund. 3,338,368 shares and 1,500,000 options exercisable at 20 cents each on or before 30 September 2012 are held indirectly by Veracity Pty Ltd as trustee for the Verios Family Trust. Mr Verios is a director and shareholder of Veracity Pty Ltd and beneficiary of the Verios Family Trust.

2 557,000 shares and 2,000,000 options exercisable at 20 cents each on or before 30 September 2012 are held indirectly by Mr Sergeant as a trustee for and beneficiary of the Rio Grande Do Norte Superannuation Fund.

3 130,000 shares and 250,000 options exercisable at 20 cents each on or before 30 September 2012 are held indirectly by Mr Beazley as a trustee and beneficiary of the TKB Superannuation Fund. 4,712,585 shares and 1,250,000 options exercisable at 20 cents each on or before 30 September 2012 are held indirectly by Karen Beazley (Mr Beazley's spouse) as trustee for the Karen Beazley Family Account. 448,000 shares are held indirectly by Seven High Pty Ltd. Mr Beazley is a director and Karen Beazley (Mr Beazley's spouse) is a shareholder of Seven High Pty Ltd.

4 12,700,000 shares are held indirectly by Mr Chen's spouse, Huixin Zhou.

OPTIONS

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number
20 July 2010	19.9 cents	383,544
30 June 2012	15 cents	2,000,000
30 September 2012	20 cents	9,000,000
14 July 2013	9 cents	3,241,527
3 July 2012	10 cents	2,500,000

None of these options were exercised during the year and up to the date of this report. Options have been granted since the end of the financial year as disclosed in the note on events subsequent to balance date. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

DIRECTORS' REPORT (CONT'D)

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the current Directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet, to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

The Company has not agreed to indemnify their current auditors, PKF.

Insurance Premiums

As at the date of this report, a Directors & Officers insurance policy has been secured. The insurance premium paid on this policy during the financial year was $13,111.

NON-AUDIT SERVICES

During the year, PKF, the Company's auditor, did not perform any non-audit services in addition to their statutory duties.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 73 and forms part of the Directors' Report for the financial year ended 30 June 2009.

This report is made with a resolution of the Directors:

Patrick Davin
Managing Director

Dated at Perth, Western Australia this 30th day of September 2009.

REMUNERATION REPORT

This remuneration report outlines the Director and executive remuneration arrangements of the Company and the Consolidated Entity.

Overview of remuneration policies

The Board as a whole is responsible for considering remuneration policies and packages applicable both to Directors and executives of the Company and the Consolidated Entity.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity, including Directors of the Company and other executives. Key management personnel comprise the Directors of the Company, and executives for the Company and the Consolidated Entity including the five most highly remunerated executives.

Broadly, remuneration levels for key management personnel and the Company Secretary of the Company, and key management personnel of the Consolidated Entity are competitively set to attract and retain appropriately qualified and experienced Directors and executives and reward the achievement of strategic objectives. The Board obtains independent advice on the appropriateness of remuneration packages of both the Company and the Consolidated Entity given trends in comparative companies both locally and internationally, and the objectives of the Company's remuneration strategy.

Remuneration packages consist of fixed remuneration including base salary, employer contributions to superannuation funds and non-cash benefits.

Currently there is no variable remuneration structured through performance related short term or long term incentive plans.

Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicle), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Consolidated Entity. The Board has regard to remuneration levels external to the Consolidated Entity to ensure the Directors' and executives' remuneration is competitive in the market place.

Executive Directors are employed full time and receive fixed remuneration in the form of salary and statutory superannuation or consultancy fees, commensurate with their required level of services.

Non-executive Directors receive a fixed monthly fee for their services. Where non-executive Directors provide services materially outside their usual Board duties, they are remunerated on an agreed daily rate basis.

Service agreements

It is the Consolidated Entity's policy that service agreements for key management personnel, excluding the Managing Director and Company Secretary, are unlimited in term but capable of termination on 3 months' notice and that the Consolidated Entity retains the right to terminate the service agreements immediately, by making payment equal to 3 months' pay in lieu of notice.

The Consolidated Entity retains the right to terminate a service agreement immediately by making payment equal to 3 months' pay in lieu of notice. Key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service agreement outlines the components of compensation paid to key management personnel but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed annually on a date as close as possible to 30 June of each year to take into account key management personnel's performance.

Non-executive Directors

Total remuneration for all non-executive Directors, last voted upon by shareholders at the 2007 Annual General Meeting, is not to exceed $200,000 per annum and has been set at a level to enable the Company to attract and retain suitably qualified Directors. The Company does not have any scheme relating to retirement benefits for non-executive Directors.

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

Details of the nature and amount of each major element of the remuneration of each Director of the Company and the named officers of the Company and the Consolidated Entity for the year are:

		PRIMARY		POST-EMPLOYMENT	SHARE BASED PAYMENTS		
		Salary & fees	Non-monetary benefits	Superannuation benefits	Valuation of Options[a]	Total	Value of options as proportion of remuneration
In AUD		$	$	$	$	$	%
DIRECTORS							
Non-executive							
Mr L Verios (Chairman)	2009	60,000	-	5,400	-	65,400	-
	2008	52,500	-	4,725	103,500	160,725	64.4
Mr B Sergeant	2009	47,000	-	7,000	-	54,000	-
	2008	52,500	-	8,000	138,000	198,500	69.5
Mr T Beazley	2009	69,471	-	6,252	-	75,723	-
	2008	36,000	-	3,240	103,500	142,740	72.5
Executive							
Mr P Davin	2009	183,486	-	16,514	-	200,000	-
	2008	183,486	-	16,514	138,000	338,000	40.8
Mr Yi Ting (Charles) Chen	2009	163,278	-	-	-	163,278	-
	2008	132,640	-	-	138,000	270,640	51.0
Total, all Directors	2009	523,235	-	35,166	-	558,401	-
	2008	457,126	-	32,479	621,000	1,110,605	55.9

REMUNERATION REPORT (CONT'D)

In AUD		Salary & fees $	Non-monetary benefits $	Superannuation benefits $	Valuation of Options $	Total $	Value of options as proportion of remuneration %
		PRIMARY		POST-EMPLOYMENT	SHARE BASED PAYMENTS		
EXECUTIVES							
Mr T Jones – Chief Operating Officer Vmoto Limited (resigned 11 March 2009)	2009	193,663	-	14,926	-	208,589	-
	2008	221,136	-	19,902	-	241,038	-
Mr T Abel – Chief Financial Officer Vmoto Limited (resigned 17 July 2009)	2009	134,997	17,617	12,150	-	164,764	-
	2008	120,122	15,629	10,811	-	146,562	-
Mr Y H Teo – Group Chief Financial Officer (commenced 17 June 2009)	2009	2,827	-	254	-	3,081	-
	2008	-	-	-	-	-	-
Total, all executives	2009	331,487	17,617	27,330	-	376,434	-
	2008	341,258	15,629	30,713	-	387,600	-

(a) The fair value of the options is calculated at the date of grant using the Binomial model. In valuing the options market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Discount on unlisted option
28 November 2007	30 September 2012	$0.0690	$0.20	$0.13	90%	6.5%	20%

Further details of options granted are set out under "Options" in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Vmoto Limited is responsible for the establishment of a corporate governance framework that has regard to the best practice recommendations set by the ASX Corporate Governance Council. The objective of the Company is to achieve best practice in corporate governance and the Company's Board, senior executives and employees are committed to achieving this objective.

This statement summarises the corporate governance practices that have been adopted by the Board. In addition to the information contained in this statement, the Company's website at www.vmotoltd.com contains additional details of its corporate governance procedures and practices.

ASX BEST PRACTICE RECOMMENDATIONS

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX best practice recommendations in the reporting period. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it. Where the Company considered it was not appropriate to presently comply with a particular recommendation the reasons are set out in the relevant section of this statement.

On 1 July 2008, the Board adopted a Corporate Governance policy that (except where expressly noted below) complies with the Principles espoused in the Second Edition of the "Corporate Governance Principles and Recommendations", established by the ASX Corporate Governance Council and published by the ASX in August 2007.

BOARD OF DIRECTORS

Role and Responsibilities of the Board

The Board is responsible for guiding and monitoring the Company on behalf of shareholders. The specific responsibilities of the Board include:

(a) appointment, evaluation, rewarding and if necessary the removal of the Managing Director, and Chief Financial Officer (or equivalent) and the Company Secretary;

(b) in conjunction with management, development of corporate objectives, strategy and operations plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;

(c) establishing appropriate levels of delegation to the Managing Director to allow him to manage the business efficiently;

(d) monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level, to understand at all times the financial and operating conditions of the Company;

(e) monitoring the performance of senior management including the implementation of strategy, and ensuring appropriate resources are available;

(f) via management, an appreciation of areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;

(g) overseeing the management of safety, occupational health and environmental matters;

(h) satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;

(i) satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;

(j) ensuring that appropriate internal and external audit arrangements are in place and operating effectively;

(k) having a framework in place to help ensure that the Company acts legally and responsibly on all matters consistent with the code of conduct; and

(l) reporting to shareholders.

In accordance with ASX Principle 1, the Board has established a Board Charter which sets out functions reserved to Board and those delegated to senior executives. This Charter is available on the Company's website. The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

Board composition

During the financial year ended 30 June 2009, the Board was comprised of two executive Directors and three non-executive Directors. Due to the recent resignations of Mr Lee Verios and Mr Blair Sergeant, as at the date of this report, the Board is comprised of two executive Directors and one non-executive Director.

The Company's website contains details on the procedures for the selection and appointment of new directors and the re-election of incumbent directors, together with the Board's policy for the nomination and appointment of directors.

ASX Principle 2 recommends the Board establish a Nomination Committee to focus on the selection and appointment practices of the Company. It is further recommended that the Nomination Committee have a formal Charter.

The Company has adopted a formal Nomination Committee Charter, available on the Company's website, which includes information on the Company's approach to selection and appointment of Directors. However the Company does not presently have a separate Nomination Committee. As the Board is small, the full Board conducts the function of such a committee, in accordance with the Charter.

The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate. The current Directors have a broad range of qualifications, experience and expertise in scooter and motorcycle distribution and marketing and in the finance and legal industries. The skills, experience and expertise of Directors are set out in the Directors' Report.

The names of the Directors in office at the date of this Report, the year they were first appointed, their status as non-executive, executive or independent Directors and whether they are retiring by rotation and seeking re-election by shareholders at the 2009 Annual General Meeting, are set out in the Directors' Report.

Independence of non-executive directors

The Board considers an independent director to be a non-executive director who meets the criteria for independence included in Principle 2 of the ASX Corporate Governance Principles and Recommendations. Materiality for these purposes is based on quantitative and qualitative bases. An amount of over 5% of the annual turnover of the Company or 5% of the individual director's net worth is considered material for these purposes.

The Board has reviewed and considered the positions and associations of each of the Directors in office at the date of this report and considers that only Mr Trevor Beazley is independent. A majority of the Directors are not independent, as required by ASX Principle 2, however the Board notes this is a short term position due to the recent resignations of Mr Lee Verios and Mr Blair Sergeant. The Board will now consider the skills and experience required to take the Company forward and will update the market of any resultant appointments in due course. Given that the Company's operations are in China, it is the view of the Board that it is appropriate to have an executive director in that country, as well as in Australia.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Independent professional advice

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The advice is at the Company's expense and advice so obtained is to be made available to all Directors.

Meetings

The Board held 3 scheduled meetings during the reporting year and no unscheduled meetings were held during that year. Senior management attended and made presentations at the Board Meetings as considered appropriate and were available for questioning by Directors.

The attendance of Directors at Board meetings during the year ended 30 June 2009 is detailed in the Directors' Report.

Evaluation of Board and Senior Executive performance

A process has been established to review and evaluate the performance of the Board, individual Directors and senior executives. The Board is required to meet annually with the specific purpose of reviewing the role of the Board, assessing the performance of the Board and individual Directors over the previous 12 months and examining ways in which the Board can better perform its duties. The Company's annual Board review to consider the 2008/09 financial year is scheduled to take place within 4 months of the end of the financial year.

The Managing Director is responsible for assessing the performance of the key executives within the Company. This is performed through a formal process involving a meeting with each senior executive.

REMUNERATION

ASX Principle 8 recommends the Board establish a Remuneration Committee to focus on appropriate remuneration policies. It is further recommended that the Remuneration Committee have a formal Charter.

The Company has adopted a formal Remuneration Committee Charter, available on the Company's website, which includes information on the Company's approach to remuneration of Directors (executive and non-executive) and senior executives. However due to the Company's early stage of development and the small size of the Board, the Company does not presently have a separate Remuneration Committee. The full Board conducts the function of such a committee, in accordance with the Charter.

In accordance with Principle 8, Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services. Non-executive Directors' fees are currently capped at $200,000 per annum.

The Company does not have any scheme relating to retirement benefits for non-executive Directors.

See the Remuneration Report for details of remuneration paid to Directors and key executives during the year.

RISK MANAGEMENT

In accordance with ASX Principle 7, the Company has a policy for the oversight and management of material business risks, which is available on the Company's website.

Management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

(a) establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;

(b) continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;

(c) formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and

(d) monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Within the identified risk profile of the Company, comprehensive practices are in place that are directed towards achieving the following objectives:

(a) effectiveness and efficiency in the use of the Company's resources;

(b) compliance with applicable laws and regulations; and

(c) preparation of reliable published financial information.

The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control, requiring management appraise the Board of changing circumstances within the Company and within the international business environment. During the reporting period, the Managing Director regularly reported to the Board as to the effectiveness of the Company's management of its material business risks. Further, in accordance with Principle 7, the Managing Director and Chief Financial Officer have confirmed in writing to the Board that:

- the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.
- the above confirmation is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board;
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

FINANCIAL REPORTING

ASX Principle 4 recommends the Board establish an Audit Committee to focus on issues relevant to the integrity of the Company's financial reporting. It is further recommended the Audit Committee have a formal Charter.

The Company has prepared a formal Audit Committee Charter, available from the Company's website, which promotes an environment consistent with best practice financial reporting and includes information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners. However due to the Company's early stage of development and the small size of the Board, the Company does not presently have a separate Audit Committee. The full Board conducts the function of such a committee, in accordance with the Charter.

CODE OF CONDUCT

The Board encourages appropriate standards of conduct and behaviour from Directors, officers, employees and contractors of the Company.

The Board has adopted a Code of Conduct in relation to Directors and employees, available from the Company's website. This Code of Conduct is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

A fundamental theme is that all business affairs are conducted legally, ethically and with strict observance of the highest standards of integrity and propriety.

SECURITIES TRADING

The Board has adopted a Securities Trading Policy which regulates dealings by Directors, officers and employees in securities issued by the Company.

Under the policy, which is available on the Company's website, general restrictions are imposed on Directors and employees when in possession of inside information, while additional trading restrictions apply to Directors and some employees.

PRIVACY

The Company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of the Company.

CONTINUOUS DISCLOSURE

In accordance with ASX Principle 5, the Board has an established a Continuous Disclosure Policy which is available from the Company's website.

The Company is committed to:

(a) complying with the general and continuous disclosure principles contained in the Corporations Act and the ASX Listing Rules;

(b) preventing the selective or inadvertent disclosure of material price sensitive information;

(c) ensuring shareholders and the market are provided with full and timely information about the Company's activities; and

(d) ensuring that all market participants have equal opportunity to receive externally available information issued by the Company.

SHAREHOLDER COMMUNICATION

In accordance with ASX Principle 6, the Board has established a communications strategy which is available from the Company's website. The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company.

The Managing Director and Company Secretary have primary responsibility for communication with shareholders. Information is communicated through:

(a) continuous disclosure to relevant stock markets of all material information;

(b) periodic disclosure through the annual report (or concise annual report), half year financial report and quarterly reporting of corporate activities;

(c) notices of meetings and explanatory material;

(d) the annual general meeting;

(e) periodic newsletters or letters from the Chairman or Managing Director; and

(f) the Company's web-site at www.vmotoltd.com.

The Company is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market.

Shareholders are encouraged at annual general meetings to ask questions of Directors and senior management and also the Company's external auditors, who are required to attend the Company's annual general meetings.

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
Continuing Operations					
Revenue		48,400,258	35,322,031	39,741,551	12,610,024
Cost of goods sold		(45,857,211)	(32,472,148)	(38,021,737)	(12,127,243)
Gross profit		2,543,047	2,849,883	1,719,814	482,781
Other income	2	238,998	124,944	248,236	96,981
Operational expenses		(2,602,650)	(1,900,612)	(1,391,267)	(495,663)
Marketing and distribution expenses		(929,317)	(586,875)	(609,093)	(444,828)
Corporate and administrative expenses		(2,333,178)	(2,153,344)	(2,004,217)	(1,856,230)
Occupancy expenses		(809,624)	(498,440)	(641,536)	(267,304)
Other expenses		(248,528)	(72,219)	-	(107,084)
Finance costs		(256,512)	(320,759)	(140,384)	(127,467)
Impairment of goodwill	10	-	(6,109,813)	-	-
Provision for impairment loss in the value of investments in controlled entities	11	-	-	-	(4,997,890)
(Provision)/recovery for impairment loss on unsecured loans to controlled entities		-	-	(4,653,975)	32,323
Loss from continuing operations before tax		(4,397,764)	(8,667,235)	(7,472,422)	(7,684,381)
Income tax (expense)	4	(15,506)	-	-	-
Loss after tax from continuing operations		(4,413,270)	(8,667,235)	(7,472,422)	(7,684,381)
(Profit)/loss attributable to minority interests		177,506	24,415	-	-
Loss attributable to members of the parent	17	(4,235,764)	(8,642,820)	(7,472,422)	(7,684,381)
Earnings per share for loss attributable to the ordinary equity holders of the company					
Basic loss per share from continuing operations	20	(1.31 cents)	(3.86 cents)		
Basic loss per share from total operations	20	(1.31 cents)	(3.86 cents)		

The Company's potential ordinary shares are not considered dilutive and accordingly the basic loss per share is the same as the diluted loss per share.

The income statements are to be read in conjunction with the accompanying notes.

BALANCE SHEETS
AS AT 30 JUNE 2009

	NOTE	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
CURRENT ASSETS					
Cash and cash equivalents	5	1,289,984	1,099,777	695,046	100,389
Trade and other receivables	6	665,625	1,973,206	24,640	5,414
Inventories	7	389,939	402,800	-	-
Other assets	8	201,973	204,086	67,978	146,516
Total Current Assets		2,547,521	3,679,869	787,664	252,319
NON CURRENT ASSETS					
Receivables	6	-	-	-	-
Property, plant and equipment	9	3,988,272	2,398,584	675,753	856,868
Intangible assets	10	5,909,080	4,842,546	187,407	200,380
Other financial assets	11	-	-	-	-
Total Non Current Assets		9,897,352	7,241,130	863,160	1,057,248
TOTAL ASSETS		12,444,873	10,920,999	1,650,824	1,309,567
CURRENT LIABILITIES					
Trade and other payables	12	1,604,778	2,691,056	937,724	798,191
Employee benefits	13	30,942	43,702	12,819	29,751
Loans and borrowings	14	3,066,414	3,478,663	2,777,990	2,029,510
Total Current Liabilities		4,702,134	6,213,421	3,728,533	2,857,452
NON CURRENT LIABILITIES					
Trade and other payables	12	102,569	-	-	-
Loans and borrowings	14	-	947,423	-	930,073
Total Non Current Liabilities		102,569	947,423	-	930,073
TOTAL LIABILITIES		4,804,703	7,160,844	3,728,533	3,787,525
NET ASSETS		**7,640,170**	**3,760,155**	**(2,077,709)**	**(2,477,958)**
EQUITY					
Issued capital	15	28,804,611	21,218,419	28,804,611	21,218,419
Reserves	15	1,033,729	326,637	971,830	685,351
Accumulated losses	16	(22,529,321)	(18,293,557)	(31,854,150)	(24,381,728)
Minority interest		331,151	508,656	-	-
TOTAL EQUITY		**7,640,170**	**3,760,155**	**(2,077,709)**	**(2,477,958)**

The balance sheets are to be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
Cash flows from operating activities					
Cash receipts in the course of operations		8,261,800	25,348,487	-	-
Cash payments in the course of operations		(11,469,053)	(25,233,698)	(848,389)	(1,266,783)
Interest received		43,914	15,554	31,400	14,304
Interest paid		(124,691)	-	(14,985)	-
Net cash provided by/(used in) operating activities	23	(3,288,030)	130,343	(831,974)	(1,252,479)
Cash flows from investing activities					
Proceeds from sale of plant and equipment		-	22,727	-	-
Payments for plant and equipment		(1,835,743)	(441,647)	(685)	(15,107)
Payments for intellectual property rights		(1,275,137)	-	-	-
Payments for business assets		-	(995,969)	-	(995,969)
Loan to controlled entities		-	-	(4,975,837)	(176,243)
Repayment of loans by controlled entities		-	-	353,030	121,238
Loan to other entities		(342,437)	-	(16,171)	-
Net cash used in investing activities		(3,453,317)	(1,414,889)	(4,639,663)	(1,066,081)
Cash flows from financing activities					
Proceeds from the issue of shares		6,862,500	500,000	6,862,500	500,000
Share issue costs		(534,624)	(63,636)	(534,624)	(63,636)
Proceeds from borrowings		1,704,956	1,999,850	1,443,418	1,886,392
Repayment of borrowings		(486,455)	(515,964)	(1,705,000)	-
Net cash provided by/(used in) financing activities		7,546,377	1,920,250	6,066,294	2,322,756
Net increase/(decrease) in cash held		805,030	635,704	594,657	4,196
Cash at the beginning of the financial year		(173,024)	(550,525)	100,389	96,193
Effects of exchange rate changes on cash		657,978	(258,203)	-	-
Cash at the end of the financial year	**5**	**1,289,984**	**(173,024)**	**695,046**	**100,389**

The cash flow statements are to be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

Consolidated	Issued Capital $	Reserves $	Accumulated Losses $	Minority Interest $	Total $
Balance as at 1 July 2007	18,666,346	(77,283)	(9,650,737)	190,718	9,129,044
Currency translation differences	-	(237,101)	-	-	(237,101)
Total	18,666,346	(314,384)	(9,650,737)	190,718	8,891,943
Profit/(Loss) for the year	-	-	(8,642,820)	(24,415)	(8,667,235)
Total	18,666,346	(314,384)	(18,293,557)	166,303	224,708
Shares issued	2,635,730	-	-	-	2,635,730
Transaction costs from issue of shares	(83,657)	-	-	-	(83,657)
Exercise of options	-	-	-	-	-
Cost of share based payment	-	641,021	-	-	641,021
Minority interest on establishment of subsidiary	-	-	-	342,353	342,353
Balance as at 30 June 2008	**21,218,419**	**326,637**	**(18,293,557)**	**508,656**	**3,760,155**
Balance as at 1 July 2008	21,218,419	326,637	(18,293,557)	508,656	3,760,155
Currency translation differences	-	449,147	-	-	449,147
Total	21,218,419	775,784	(18,293,557)	508,656	4,209,302
Profit/(Loss) for the year	-	-	(4,235,764)	(177,505)	(4,413,269)
Total	21,218,419	775,784	(22,529,321)	331,151	(203,967)
Shares issued	8,394,562	-	-	-	8,394,562
Transaction costs from issue of shares	(808,370)	-	-	-	(808,370)
Exercise of options	-	-	-	-	-
Cost of share based payment	-	257,945	-	-	257,945
Minority interest on establishment of subsidiary	-	-	-	-	-
Balance as at 30 June 2009	**28,804,611**	**1,033,729**	**(22,529,321)**	**331,151**	**7,640,170**

These statements of changes in equity are to be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2009

Company	Issued Capital $	Reserve $	Accumulated Losses $	Total $
Balance as at 1 July 2007	18,666,346	44,070	(16,697,347)	2,013,069
Currency translation differences	-	260	-	260
Total	18,666,346	44,330	(16,697,347)	2,013,329
Profit / (Loss) for the year	-	-	(7,684,381)	(7,684,381)
Total	18,666,346	44,330	(24,381,728)	(5,671,052)
Shares issued	2,635,730	-	-	2,635,730
Transaction costs from issue of shares	(83,657)	-	-	(83,657)
Exercise of options	-	-	-	-
Cost of share based payment	-	641,021	-	641,021
Balance as at 30 June 2008	**21,218,419**	**685,351**	**(24,381,728)**	**(2,477,958)**
Balance as at 1 July 2008	21,218,419	685,351	(24,381,728)	(2,477,958)
Currency translation differences	-	28,534	-	28,534
Total	21,218,419	713,885	(24,381,728)	(2,449,424)
Profit / (Loss) for the year	-	-	(7,472,422)	(7,472,422)
Total	21,218,419	713,885	(31,854,150)	(9,921,846)
Shares issued	8,394,562	-	-	8,394,562
Transaction costs from issue of shares	(808,370)	-	-	(808,370)
Exercise of options	-	-	-	-
Cost of share based payment	-	257,945	-	257,945
Balance as at 30 June 2009	**28,804,611**	**971,830**	**(31,854,150)**	**(2,077,709)**

These statements of changes in equity are to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Vmoto Limited ("Vmoto" or "the Company") is a company domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2009 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity").

(A) BASIS OF PREPARATION

(i) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Consolidated Entity and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 30 September 2009.

(ii) Basis of measurement

The consolidated financial statements of the Consolidated Entity and the financial statements of the Company are prepared on an accruals basis and are based on historical costs except where otherwise stated.

(iii) Functional and presentation currency

The consolidated financial statements of the Consolidated Entity and the financial statements of the Company are presented in Australian dollars, which is the Company's functional currency.

(iv) New standards and interpretations not yet adopted

A number of Accounting Standards and Interpretations issued or amended but not yet effective have not been adopted by the Consolidated Entity for the financial reporting period ended 30 June 2009. The impacts of these amendments are assessed to have no direct impact on amounts in the financial report. They are available for early adoption at 30 June 2009 but have not been applied in preparing the financial report. These new or amended standards (to the extent relevant to the Consolidated Entity) and interpretations are as follows:

REFERENCE	SUMMARY	NATURE OF CHANGE TO ACCOUNTING POLICY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR CONSOLIDATED ENTITY
AASB 3 Business Combinations (revised)	The IASB issued the revised IFRS 3 in January, 2008. The equivalent AASB 3 standard was issued in Australia in March 2008. The revision makes several key amendments to the accounting for business combinations.	Change in accounting policy for future	1 July 2009	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

New standards and interpretations not yet adopted (Con't)

REFERENCE	SUMMARY	NATURE OF CHANGE TO ACCOUNTING POLICY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR CONSOLIDATED ENTITY
AASB 127 Consolidated and Separate Financial Statements (Revised)	The IASB revised IAS 27 Consolidated and Separate Financial Statements in 2003 as part of its project on Improvements to International Accounting Standards. The IASB's main objective was to reduce alternatives in accounting for subsidiaries in consolidated financial statements and in accounting for investments in the separate financial statements of a parent, venturer or investor. The AASB incorporated this version of IAS 27 into AASB 127 Consolidated and Separate Financial Statements issued in July 2004. The AASB issued this amended AASB 127 at the same time as a revised AASB 3 Business Combinations, incorporating the amended IAS 27 and revised IFRS 3 respectively.	No change to accounting policy required. Therefore no impact.	1 July 2009	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB3 and AASB 127. [AASB's 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038 and interpretations 9 & 107] Consequential amendments to other standards arising from AASB 3 (Revised) and AASB 127 (Amended).	Change in accounting policy for future transactions.	1 July 2009	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. [AASB 1 & 5] This Standard amends AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.	No change to accounting policy required. Therefore no impact.	1 July 2009	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

New standards and interpretations not yet adopted (Con't)

REFERENCE	SUMMARY	NATURE OF CHANGE TO ACCOUNTING POLICY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR CONSOLIDATED ENTITY
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, 7 1023 & 1038] The amendments to AASB 7 require enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendments: a) clarify that the existing fair value disclosure requirements in AASB 7 must be made separately for each class of financial instrument; b) require disclosure of any change in a method for determining fair value and the reasons for the change c) introduce a three-level hierarchy for making fair value measurements, as follows: a. level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities; b. level 2 – inputs, other than quoted prices included within level 1, that are observable for the asset or liability; and c. level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs); d) require disclosure about the relative reliability of each fair value measurement in the statement of financial position; e) clarify that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts; and require disclosure of a maturity analysis for derivative financial liabilities The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows.	Change in accounting policy for future transactions.	Annual reporting periods beginning 1 January 2009 & ending on or after 30 April 2009	1 July 2009

New standards and interpretations not yet adopted (Con't)

REFERENCE	SUMMARY	NATURE OF CHANGE TO ACCOUNTING POLICY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR CONSOLIDATED ENTITY
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2, 138 and AASB Interpretations 9 & 16] The amendments result from proposals that were included in Exposure Draft ED 165 Proposed Improvements to Australian Accounting Standards issued in August 2008 and proposals included in ED 159 Proposed Improvements to Australian Accounting Standards issued in October 2007 and follow the issuance of the IASB Standard Improvements to IFRSs in April 2009. The IASB's annual improvements project provides a vehicle for making non-urgent but necessary amendments to Standards.	No change to accounting policy required. Therefore no impact.	1 July 2009	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] The amendments result from proposals that were included in Exposure Draft ED 165 Proposed Improvements to Australian Accounting Standards issued in August 2008 and proposals included in ED 159 Proposed Improvements to Australian Accounting Standards issued in October 2007, and follow the issuance of the IASB Standard Improvements to IFRSs in April 2009. The IASB's annual improvements project provides a vehicle for making non-urgent but necessary amendments to Standards.	No change to accounting policy required. Therefore no impact.	1 July 2010	1 July 2010
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17] These amendments arise from editorial corrections by the AASB and by the International Accounting Standards Board (IASB).	No change to accounting policy required. Therefore no impact.	1 July 2009	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(v) Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Consolidated Entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(vi) Going concern basis

The Consolidated Entity and the Company has recorded a loss after tax for the year of $4,235,764 (2008: $8,642,820 loss after tax) and $7,472,422 (2008: $7,684,381 loss after tax). At 30 June 2009, the Consolidated Entity and the Company has a working capital deficiency of $2,154,613 (2008: $2,533,552) and $2,940,869 (2008: $2,605,133). The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe this to be appropriate for the following reasons:

- the Consolidated Entity's new Nanjing factory completed during the year ended 30 June 2009 has long term supply agreements together with the introduction of new products that will boost sales with considerable profit contribution;
- the Consolidated Entity will further reduce corporate and other non-sales resources without materially affecting revenue activities;
- amounts owed to Directors of the Company for loans made and unpaid fees totalling $844,910 will not be called by the Directors until the Consolidated Entity is in a financial position to repay these amounts. Pursuant to the approval by shareholders in the General Meeting held on 28 August 2009, $426,123 of the amounts owed to Directors of the Company for loans made and unpaid fees has been converted to ordinary shares and there were no cash flow implications for the Consolidated Entity;
- As at 30 June 2009, the outstanding principal amount of the Convertible Debenture including accrued interest was $173,026 and the outstanding principal amount of the Convertible Debenture has been fully converted into shares post 30 June 2009 and the cash flows impact on the Company was minimal;
- the Company received $1,912,500 of the remaining balance of the $3 million placement to 28 August 2009 and 47,812,500 shares at 4 cents per share have been issued pursuant to approval by shareholders at a General Meeting held on 28 August 2009;
- the Company is in discussion with several parties and is confident of its ability to raise additional funding if required;
- the land and building of the Nanjing manufacturing facility is owned unencumbered and is available for use as security against future borrowings if required; and
- the Directors have prepared cash flow forecasts that indicate the Consolidated Entity will be profitable for the period ended 30 September 2010 and will enable the Consolidated Entity to pay its debts as and when they fall due.

Based on the above, the Directors are confident that the Consolidated Entity and the Company will be able to continue operations into the foreseeable future.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, and have been applied consistently by all entities in the Consolidated Entity.

(B) PRINCIPLES OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Consolidated Entity.

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

In the Company's financial statements, investments in subsidiaries are carried at cost.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between subsidiaries are eliminated in full on consolidation.

(C) FOREIGN CURRENCY TRANSLATION

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars (A$).

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

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiaries FMC, Shanghai Haiya Power Manufacturing Company Limited, Shanghai Freedomotor Import & Export Company Limited and Nanjing Vmoto Company Limited is United States dollars (US$).

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Vmoto at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(D) REVENUE RECOGNITION

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchange of goods or services of the same nature with any cash consideration are not recognised as revenue.

Sale of goods

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

Interest income

Interest income is recognised as it accrues.

(E) TRADE AND OTHER RECEIVABLES

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(F) ACQUISITION OF ASSETS

All assets acquired including plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued at consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

(G) GOODWILL

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(H) INVESTMENTS

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Refer to note 1(o).

(I) PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of assets may include the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition of an asset are recognised in income statement as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Consolidated Entity and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Consolidated Entity will obtain ownership by the end of the lease term. Land is not depreciated. Building is not depreciated until productions commence.

The estimated useful lives for the current and comparative periods are as follows:

Plant and equipment	3 – 10 years
Office equipment	5 years
Leasehold improvements	5 years
Building	20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(J) BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

(K) PAYABLES

Payables, including goods received and services incurred but not yet invoiced, are recognised at the nominal amount when the Consolidated Entity becomes obliged to make future payments as a result of a purchase of assets or receipt of services.

(L) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(M) INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(N) LEASED ASSETS

Leases under which the Consolidated Entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Consolidated Entity's balance sheet. Payments made under operating leases are recognised as expense in the income statement.

(O) RECOVERABLE AMOUNT OF ASSETS

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(P) INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(Q) CONVERTIBLE NOTES AND DEBENTURE

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

(R) SHARE-BASED PAYMENT TRANSACTIONS

The Consolidated Entity provides benefits to employees (including Directors) of the Consolidated Entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Company operates an incentive scheme to provide these benefits, known as the Vmoto Employee Option Scheme (the "Scheme") approved at the annual general meeting on 27 November 2007.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Binomial Option Valuation model.

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

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

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

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

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

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

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

(S) EMPLOYEE BENEFITS

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration, wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(T) INCOME TAX

Income tax expense recognised in the income statement relates to current tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:
(i) the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
(ii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on a different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its subsidiaries have unused tax losses as at the reporting date. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

(U) INTELLECTUAL PROPERTY

Intellectual property acquired separately or in a business combination is initially measured at cost. The cost of intellectual property acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intellectual property is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful life of intellectual property is assessed to be either finite or indefinite.

Intellectual property with a finite life is amortised over the useful life of 5 years and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intellectual property with a finite life is recognised in profit or loss in the expense category consistent with the function of the intellectual property.

Intellectual property with an indefinite useful life is tested for impairment annually at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intellectual property is not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(V) RESEARCH AND DEVELOPMENT

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised as an expense when incurred.

Development activities involve a plan or design for the production of new or substantially improved products. Development expenditure is capitalised only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Consolidated Entity intends to and has sufficient resources to complete development and to use or sell that asset. The expenditure capitalised includes the costs of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in profit or loss as incurred. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$	$	$	$
2. REVENUES AND EXPENSES				
(a) Other income				
Interest income	41,506	15,554	31,400	14,304
Rent income	2,500	26,667	2,500	26,667
Commissions	20,463	36,125	11,073	-
Subsidies	-	38,800	-	38,800
Net loss on disposal of plant & equipment	-	(9,412)	-	-
Net foreign exchange gain	160,088	-	143,822	-
Other	14,441	17,210	59,441	17,210
	238,998	124,944	248,236	96,981
(b) Other expenses				
Increase in provision for impairment loss	248,528	32,044	-	-
Net foreign exchange loss	-	40,175	-	107,084
	248,528	72,219	-	107,084
(c) Employee benefits expense				
Wages and salaries costs	2,213,260	1,687,874	1,470,200	855,551
Superannuation costs	69,763	87,024	52,575	55,625
Decrease in liability for annual leave	(12,760)	(3,717)	(16,933)	3,033
	2,270,263	1,771,181	1,505,842	914,209
(d) Depreciation and amortisation				
Depreciation	288,693	126,243	181,801	50,218
Amortisation	42,185	10,546	42,185	10,546
	330,878	136,789	223,986	60,764
3. AUDITOR'S REMUNERATION				
Audit services:				
audit and review of financial reports	103,641	116,385	103,641	116,385
Non-audit services:				
corporate advisory services	-	14,935	-	14,935
	103,641	131,320	103,641	131,320

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$	$	$	$
4. INCOME TAX				
(a) Income tax expense	15,506	-	-	-
(b) Numerical reconciliation between tax benefit and pre-tax net loss				
Loss before income tax benefit	(4,397,764)	(8,642,820)	(7,472,423)	(7,684,381)
Income tax credit calculated at 30%	1,319,329	2,592,846	2,241,727	2,305,314
Tax effect on amounts which are not tax deductible:				
Amounts provided against loans to controlled entities	-	-	-	-
Profits/(Losses) of foreign subsidiaries/operations not regarded as assessable/(deductible)	(873,893)	121,021	(205,871)	(50,249)
Prior period adjustment	(15,506)	-	-	-
Profit of foreign subsidiaries regarded as assessable income	-	-	-	(12,199)
Share option expenses	-	(186,300)	-	(186,300)
Miscellaneous	(508)	-	(730)	-
Goodwill written off	-	(1,832,944)	-	-
Deferred tax asset not brought to account	(444,928)	(694,623)	(2,035,126)	(2,056,566)
Income tax credit / (expense)	(15,506)	-	-	-
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)				
Potential at 30% (2008: 30%)	3,341,537	2,348,556	2,298,832	1,196,285

4. INCOME TAX (CONT'D)

(d) Unrecognised temporary differences

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
Temporary differences for which deferred tax assets have not been recognised:				
Amounts provided against investments	-	-	2,958,537	(1,499,367)
Employee benefits provision	9,283	13,110	3,846	8,925
Provision for doubtful receivables	-	28,069	3,575,554	2,213,604
Capital raising costs	93,847	110,982	93,847	110,982
Accrued superannuation	3,203	5,074	2,340	3,251
Amounts provided against other loans	-	-	-	9,697
Sundry amounts	-	-	-	(66,122)
Unrecognised deferred tax assets relating to the above temporary differences	106,333	157,235	6,634,124	780,970
Temporary differences for which deferred tax liabilities have not been recognised:				
Prepayments	-	-	-	-
Unrecognised deferred tax liabilities relating to the above temporary differences	-	-	-	-

(e) Tax Rates

The potential tax benefit at 30 June 2009 in respect of tax losses not brought into account has been calculated at 30% for Australian entities. This same rate applied for the year ended 30 June 2008.

5. CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
Bank balances	1,289,984	1,099,777	695,046	100,389
Reconciliation to cash at the end of the year				
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
Balances as above	1,289,984	1,099,777	695,046	100,389
Bank overdrafts (note 14)	-	(1,272,801)	-	-
Balances per statement of cash flows	1,289,984	(173,024)	695,046	100,389

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$	$	$	$

6. TRADE AND OTHER RECEIVABLES

Current

	2009 $	2008 $	2009 $	2008 $
Trade receivables	321,724	1,305,339	-	-
Less: Provision for impairment loss	(53,342)	(93,565)	-	-
	268,382	1,211,774	-	-
Other receivables	397,243	761,432	24,640	5,414
	665,625	1,973,206	24,640	5,414

Impaired Trade Receivables

Trade receivables are non-interest bearing and are generally on 30-60 days terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $248,528 for trade and other receivables has been recognised by the Consolidated Entity during the year ended 30 June 2009 and included in "other expenses" in the income statement.

Movements in the provision for impairment of trade receivables were as follows:

	2009 $	2008 $	2009 $	2008 $
At 1 July	93,565	498,083	-	-
Provision for impairment during the year	53,342	30,989	-	-
Receivables written off as uncollectible	(93,565)	(435,507)	-	-
At 30 June	53,342	93,565	-	-

At 30 June, the ageing analysis of trade receivables is as follows:

	2009 $	2008 $	2009 $	2008 $
0 – 30 Days	12,012	972,033	-	-
31 – 60 Days	11,246	93,709	-	-
61 – 90 Days past due not impaired	777	64,680	-	-
+90 Days past due not impaired	244,347	81,352	-	-
+90 Days considered impaired	53,342	93,565	-	-
	321,724	1,305,339	-	-

As of 30 June 2009, trade receivables of $245,124 (2008: $146,032) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$	$	$	$
6. TRADE AND OTHER RECEIVABLES (CONT'D)				
Non-Current				
Loan to controlled entities	-	-	11,917,457	7,377,626
Loans to other entities	1,055	1,055	1,055	1,055
Less: Provision for non-recovery	(1,055)	(1,055)	(11,918,512)	(7,378,681)
	-	-	-	-

The loans to controlled and other entities are unsecured, interest free and of no fixed term.

7. INVENTORIES				
Finished goods	136,205	12,564	-	-
Raw materials	253,734	390,236	-	-
	389,939	402,800	-	-
8. OTHER ASSETS				
Prepayments	133,995	135,184	-	77,614
Other assets	67,978	68,902	67,978	68,902
	201,973	204,086	67,978	146,516

9. PROPERTY, PLANT & EQUIPMENT

	Consolidated							Company			
Year ended 30 June 2009	Plant & equipment	Motor vehicles	Office furniture & equipment	Land	Building under construct	Leasehold improvements	Total	Plant & equipment	Office furniture & equipment	Leasehold improvements	Total
At 1 July 2008, net of accumulated depreciation	859,949	-	36,192	752,383	486,855	263,205	2,398,584	585,420	8,243	263,205	856,868
Additions	280,736	-	-	-	1,356,408	-	1,637,144	685	-	-	685
Acquisition of business	-	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	(215,091)	-	(17,994)	-	-	(55,608)	(288,693)	(124,457)	(1,735)	(55,608)	(181,800)
Exchange differences	104,712	-	-	162,908	(26,383)	-	241,237	-	-	-	-
At 30 June 2009, net of accumulated depreciation	1,030,306	-	18,198	915,291	1,816,880	207,597	3,988,272	461,648	6,508	207,597	675,753
At 30 June 2009											
Cost	1,353,841	-	83,969	915,291	1,816,880	278,041	4,448,022	622,344	8,994	278,041	909,379
Accumulated depreciation	(323,535)	-	(65,771)	-	-	(70,444)	(459,750)	(160,696)	(2,486)	(70,444)	(233,626)
Net carrying amount	1,030,306	-	18,198	915,291	1,816,880	207,597	3,988,272	461,648	6,508	207,597	675,753
Year ended 30 June 2008											
At 1 July 2007, net of accumulated depreciation	318,814	36,122	48,394	-	-	-	403,330	22,736	-	-	22,736
Additions	42,806	-	-	752,383	486,855	13,130	1,295,174	1,978	-	13,130	15,108
Acquisition of business	595,654	-	8,677	-	-	264,911	869,242	595,654	8,677	264,911	869,242
Disposals	-	(32,139)	-	-	-	-	(32,139)	-	-	-	-
Depreciation for the year	(86,545)	(3,983)	(20,879)	-	-	(14,836)	(126,243)	(34,948)	(434)	(14,836)	(50,218)
Exchange differences	(10,780)	-	-	-	-	-	(10,780)	-	-	-	-
At 30 June 2008, net of accumulated depreciation	859,949	-	36,192	752,383	486,855	263,205	2,398,584	585,420	8,243	263,205	856,868
At 30 June 2008											
Cost	958,489	-	70,257	752,383	486,855	278,041	2,546,025	621,659	8,994	278,041	908,694
Accumulated depreciation	(98,540)	-	(34,065)	-	-	(14,836)	(147,441)	(36,239)	(751)	(14,836)	(51,826)
Net carrying amount	859,949	-	36,192	752,383	486,855	263,205	2,398,584	585,420	8,243	263,205	856,868

An impairment test has been performed in conjunction with intangible assets and the details of assumptions used are in Note 10.

10. INTANGIBLES

	Consolidated				Company		
Year ended 30 June 2009	Goodwill	Licences and trademark	Develop-ment costs	Total	Licences and trademark	Develop-ment costs	Total
Balance at 1 July 2008	4,624,781	40,432	177,333	4,842,546	23,047	177,333	200,380
Additions	-	1,079,507	29,212	1,108,719	-	29,212	29,212
Amortisation	-	(4,852)	(37,333)	(42,185)	(4,852)	(37,333)	(42,185)
Balance at 30 June 2009	4,624,781	1,115,087	169,212	5,909,080	18,195	169,212	187,407
At 30 June 2009							
Cost	10,734,594	1,121,152	215,879	12,071,625	24,261	215,879	240,140
Accumulated amortisation and impairment	(6,109,813)	(6,065)	(46,667)	(6,162,545)	(6,066)	(46,667)	(52,733)
Net carrying amount	4,624,781	1,115,087	169,212	5,909,080	18,195	169,212	187,407
Year ended 30 June 2008							
Balance at 1 July 2007	11,846,324	17,384	-	11,863,708	-	-	-
Acquisition of business	-	24,261	186,666	210,927	24,261	186,666	210,927
Adjustment to consideration	(1,111,730)	-	-	(1,111,730)	-	-	-
Impairment	(6,109,813)	-	-	(6,109,813)	-	-	-
Amortisation	-	(1,213)	(9,333)	(10,546)	(1,214)	(9,333)	(10,547)
Balance at 30 June 2008	4,624,781	40,432	177,333	4,842,546	23,047	177,333	200,380
At 30 June 2008							
Cost	10,734,594	211,645	186,666	11,132,905	194,261	186,666	380,927
Accumulated amortisation and impairment	(6,109,813)	(171,213)	(9,333)	(6,290,359)	(171,213)	(9,333)	(180,547)
Net carrying amount	4,624,781	40,432	177,333	4,842,546	23,047	177,333	200,380

The additions to the license and trademarks during the year are the consideration paid to acquire manufacturing licenses in China. International ISO 9001 certification and China Compulsory Certification, which are required to export vehicles manufactured in China, have also been obtained during the year. The manufacturing license has been determined to have an indefinite useful life as the manufacturing license has been granted for a period of 10 years by the Chinese Government with the option of renewal without significant cost at the end of the period. The manufacturing license is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

The additions to the development costs during the year are part of the costs incurred in developing the Consolidated Entity's new product, SCARTT.

The goodwill on acquiring FMC on 1 January 2007 is allocated to the scooter and ATV distribution cash generating unit within the Chinese geographical location segment. The recoverable amount of the goodwill has been determined based on the net present value of projected earnings before interest, tax and depreciation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The cash flow projections were prepared based on past experience and contracts that are in place.

The pre-tax, risk free discount rate applied to cash flow projections is 15% (2008: 12%). The calculated recoverable amount exceeds the carrying amount of the goodwill of FMC such that no impairment of the goodwill has occurred. Management believe that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the goodwill to materially exceed its recoverable amount.

	Note	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
11. OTHER FINANCIAL ASSETS					
Investment in controlled entities		-	-	9,861,789	9,861,789
Less: Provision for diminution in value of investment		-	-	(9,861,789)	(9,861,789)
		-	-	-	-

	Note	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
12. TRADE AND OTHER PAYABLES					
Current - unsecured					
Trade creditors		371,356	1,723,687	239,467	316,088
Deferred consideration on acquiring subsidiary/operation		-	84,200	-	84,200
Other creditors and accruals		1,233,422	883,169	698,257	397,903
		1,604,778	2,691,056	937,724	798,191
Non-current - unsecured					
Trade creditors		102,569	-	-	-
		102,569	-	-	-

	Note	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
13. EMPLOYEE BENEFITS					
Provision for annual leave		30,942	43,702	12,819	29,751

Share based payments

Employee Share Option Scheme

The Company operates an incentive scheme to provide these benefits, known as the Vmoto Employee Option Scheme ("Scheme") approved at the 2007 Annual General Meeting. No employee options have been granted under this Scheme during the financial year.

	Note	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
14. INTEREST BEARING LOANS AND BORROWINGS					
Current					
Secured – Interest bearing					
Lease liabilities	19	17,350	8,718	-	-
Bank overdraft facility		-	1,272,801	-	-
Unsecured – Interest bearing					
Loan from Director		350,364	1,206,428	223,958	1,206,428
Other loans		1,416,161	709,855	1,271,493	709,854
Convertible notes and debentures		936,303	-	936,303	-
Unsecured – Non interest bearing					
Unsecured loans		346,236	280,861	346,236	113,228
		3,066,414	3,478,663	2,777,990	2,029,510

14. INTEREST BEARING LOANS AND BORROWINGS (CONT'D)

		CONSOLIDATED		COMPANY	
		2009	2008	2009	2008
		$	$	$	$
Non-current					
Secured – Interest bearing					
Lease liabilities	19	-	17,350	-	-
Unsecured – Interest bearing					
Convertible notes and debentures		-	930,073	-	930,073
		-	947,423	-	930,073
The carrying amounts of non-current assets pledged as security are:					
Plant and equipment		10,266	22,513	-	-
Leased assets		10,266	22,513	-	-

Financing arrangements

The Consolidating Entity has access to the following facilities:

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
Total facilities available:				
Bank overdraft facility	-	1,287,000	-	-
	-	1,287,000	-	-
Facilities utilised at end of the year:				
Bank overdraft facility	-	1,272,801	-	-
	-	1,272,801	-	-
Facilities not utilised at end of the year:				
Bank overdraft facility	-	14,199	-	-
	-	14,199	-	-

14. INTEREST BEARING LOANS AND BORROWINGS (CONT'D)

Finance lease facility

The finance lease liabilities are secured by the leased assets, as in the event of default, the assets revert to the lessor.

Convertible notes

The Company issued 44, 8% convertible notes for $1.1 million on 1 January 2007. The notes are convertible into ordinary shares of the Company between 1 January 2008 and 1 January 2010, at the option of the note holder. The number of ordinary shares to be issued for each convertible note will be determined by dividing the issue price of the note ($25,000) by the lesser of 11 cents or the price at which the Company makes a placement between 1 January 2007 and 1 January 2010.

The convertible notes are presented in the balance sheet as follows:

	CONSOLIDATED		COMPANY	
	2009	**2008**	**2009**	**2008**
Convertible notes	**$**	**$**	**$**	**$**
Face value of notes issued	1,100,000	1,100,000	1,100,000	1,100,000
Accrued interest	131,852	44,513	131,852	44,513
	1,231,852	1,144,513	1,231,852	1,144,513
Interest expense *	60,266	87,338	60,266	87,338
Notes converted	(475,000)	(275,000)	(475,000)	(275,000)
Interest converted	(53,841)	(26,778)	(53,841)	(26,778)
Current liability	763,277	930,073	763,277	930,073

* Interest expense is calculated by applying the effective interest rate of 8.03% to the liability component.

Convertible Debentures

The Company executed an agreement with US institutional investor, La Jolla Cove Investors, Inc on 8 April 2009 for the issue of up to four convertible debentures each with a face value of US$1.5 million, to raise up to US$6 million. The debentures were convertible into ordinary shares of the Company between debentures' issue date and 30 April 2012, at the option of the debenture holder.

The interest rate for the debentures was 6% per annum, payable in cash or shares at the option of the debenture holder. The conversion price for the debentures was the lesser of A$0.50 or 80.01% of the average of the three lowest volume weighted average prices during the 20 trading days prior to the debenture holder's election to convert.

On 8 April 2009, the Company issued the first convertible debenture, with the purchase price of US$1.5 million payable in instalments. On 10 June 2009, the Company elected to terminate its agreement with La Jolla Cove Investors, Inc. To the date of cancellation, La Jolla Cove Investors, Inc had advanced US$200,000 of the US$1.5 million payable under the first convertible debenture. By terminating the agreement, the Company has no further obligations or duties under the agreement or the terms of the convertible debenture with respect to the purchase of any remaining portion of the first convertible debenture or any of the second, third and fourth convertible debentures.

The outstanding principal amount and accrued interest were treated as a current liability as the full outstanding principal amount of the Convertible Debenture was fully converted into shares and all accrued interest was fully paid at 15 August 2009.

14. INTEREST BEARING LOANS AND BORROWINGS (CONT'D)

The convertible debenture is presented in the balance sheet as follows:

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
Convertible debenture	$	$	$	$
Advance of first convertible debenture received	261,539	-	261,539	-
	261,539	-	261,539	-
Interest expense *	1,516	-	1,516	-
Interest paid	(1,086)	-	(1,086)	-
Exchange differences	(8,943)	-	(8,943)	-
Debenture converted	(80,000)	-	(80,000)	-
Current liability	173,026	-	173,026	-

* Interest expense is calculated by applying the interest rate of 6.00% to the liability component.

15. ISSUED CAPITAL AND RESERVES

Issued capital

355,067,393 [2008: 245,348,459] fully paid ordinary shares	28,804,611	21,218,419	28,804,611	21,218,419

The following movements in issued capital occurred during the year:

	Number of Shares 2009	Number of Shares 2008	2009 $	2008 $
Balance at beginning of year	245,348,459	213,898,826	21,218,419	18,666,346
Issue of Shares at 16.3 cents each	-	3,068,351	-	500,000
Issue of Shares at 11.0 cents each	-	2,743,438	-	301,778
Issue of Shares at 7.1533 cents each	-	25,637,844	-	1,833,952
Issue of Shares at 11.0 cents each	1,026,445	-	112,909	-
Issue of Shares at 9.0 cents each	77,777,778	-	7,000,000	-
Issue of Shares at 9.8 cents each	1,164,826	-	114,153	-
Issue of Shares at 3.1950 cents each	156,495	-	5,000	-
Issue of Shares at 3.1818 cents each	942,863	-	30,000	-
Issue of Shares at 3.1284 cents each	639,304	-	20,000	-
Issue of Shares at 3.0350 cents each	823,723	-	25,000	-
Issue of Shares at 4.0 cents each	27,187,500	-	1,087,500	-
Share issue costs	-	-	(808,370)	(83,657)
Balance at end of year	355,067,393	245,348,459	28,804,611	21,218,419

15. ISSUED CAPITAL AND RESERVES (CONT'D)

Options

Unissued shares under option

At 30 June 2009, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number
20 July 2010	19.9 cents	383,544
30 September 2012	20.0 cents	9,000,000
30 June 2012	15.0 cents	2,000,000
July 2013	9.0 cents	3,241,527

The Company completed a $7 million share placement during the year pursuant to shareholder approval at the General Meeting held on 14 July 2008. Inteq Limited acted as the private placement advisor to the Company and 3,241,527 options were issued to Inteq Limited as part of the consideration for professional services provided during the year. The options are exercisable at 9 cents each on or before 14 July 2013.

On 14 July 2008 pursuant to shareholder approval at the General Meeting held on 14 July 2008, 2,000,000 options were issued to Mr Carlos Sotelo as part of the consideration for the acquisition of key assets of CSR Motorcycles SrL Spain. The options are exercisable at 15 cents each on or before 30 June 2012.

All options were granted for nil consideration during the current year.

The fair value of the options was calculated at the date of grant using the binomial model. In valuing the options market conditions have been taken into account. The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Discount on unlisted options
14 July 2008	14 July 2013	$0.0536	$0.09	$0.10	75%	6.50%	20%
14 July 2008	30 June 2012	$0.0421	$0.15	$0.10	75%	6.50%	20%

Reserves	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$	$	$	$
Reserves at the beginning of the year	326,637	(77,283)	685,351	44,070
Share-based payment	257,945	641,021	257,945	641,021
Foreign currency translation	449,147	(237,101)	28,535	260
Reserves at the end of the year	1,033,729	326,637	971,831	685,351

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

15. ISSUED CAPITAL AND RESERVES (CONT'D)

Capital risk management

The Consolidated Entity and the parent entity manage its capital to ensure their ability to continue as a going concern and to achieve returns to the shareholders and benefits for other stakeholders through the optimisation of debt and equity balance. The capital structure of the Consolidated Entity is adjusted to achieve its goals whilst ensuring the lowest cost of the capital.

Management monitors capital on the basis of the gearing ratio (net debt / total capital). During 2009, the Consolidated Entity's strategy, continuing from 2008, aimed to improve the gearing ratio and also achieve its expansion program.

The gearing ratios at 30 June 2009 and 2008 were as follows:

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$	$	$	$
Total borrowings	4,773,761	7,117,142	3,715,714	3,757,774
Less cash and cash equivalents	(1,289,984)	(1,099,777)	(695,046)	(100,389)
Net debt	3,483,777	6,017,365	3,020,668	3,657,385
Total equity	7,640,170	3,760,155	(2,077,709)	(2,477,958)
Total capital	11,123,947	9,777,520	942,959	1,179,427
Gearing ratio	31%	62%	320%	310%

The major contributor to the movement in the gearing ratio has been the share placements completed during the year and reduction of borrowings of the Consolidated Entity.

16. ACCUMULATED LOSSES

Accumulated losses at the beginning of the year	(18,293,557)	(9,650,737)	(24,381,728)	(16,697,347)
Loss for the year	(4,235,764)	(8,642,820)	(7,472,422)	(7,684,381)
Accumulated losses at the end of the year	(22,529,321)	(18,293,557)	(31,854,150)	(24,381,728)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. SEGMENT REPORTING

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The continuing operations of the Consolidated Entity are predominantly in the scooter, ATV and engine manufacture and distribution industry.

Primary reporting - Geographical segments

The scooter, ATV and engine segments are managed on a worldwide basis, but operate in three principal geographical areas: Australia, China and Spain. In China, manufacturing facilities are operated in Nanjing, and a sales office is operated in Shanghai.

Continuing Operations	Australia $A		China $A		Spain $A		Intersegment elimination $A		Consolidated $A	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue										
Segment revenue	2,275,756	2,715,906	46,528,264	34,125,863	1,921,948	892,847	(2,086,712)	(2,287,641)	48,639,256	35,446,975
Result										
Segment result	(2,674,438)	(9,086,974)	(875,090)	611,650	(686,236)	(167,496)	-	-	(4,235,764)	(8,642,820)
Assets										
Segment assets	6,135,746	5,324,911	5,678,447	4,569,928	630,680	1,026,160	-	-	12,444,873	10,920,999
Liabilities										
Segment liabilities	(868,834)	(5,112,610)	(3,589,633)	(1,935,007)	(346,236)	(113,227)	-	-	(4,804,703)	(7,160,844)
Acquisition of non-current assets	685	15,107	1,772,984	1,438,212	-	1,080,169	-	-	1,773,669	2,533,488
Depreciation/ amortisation of non-current assets	(36,459)	(41,009)	(78,386)	(41,772)	(216,033)	(54,008)	-	-	(330,878)	(136,789)

Secondary reporting – Business segments

The principal activity of the continuing Consolidated Entity is the manufacture, marketing and distribution of:

- scooters;
- ATVs; and
- engines.

More than 90% of segment revenue and segment profits/(losses) from ordinary activities, and more than 90% of segment assets, relate to these operations.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Consolidated Entity's principal financial instruments comprise bank and other loans, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Consolidated Entity's operations.

The Consolidated Entity has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Consolidated Entity's policy that no trading in derivative instruments shall be undertaken.

Fair values

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

The following table details the fair value of financial assets and liabilities:

	Consolidated 2009		Consolidated 2008	
	Carrying Amount $	Fair Value $	Carrying amount $	Fair value $
Financial assets				
Cash and cash equivalents	1,289,984	1,289,984	1,099,777	1,099,777
Trade and other receivables	665,625	665,625	1,973,206	1,973,206
Total financial assets	1,955,609	1,955,609	3,072,983	3,072,983
Financial liabilities				
Trade and other payables	1,707,347	1,707,347	2,691,056	2,691,056
Borrowings	3,066,414	3,066,414	4,426,086	4,426,086
Total financial liabilities	4,773,761	4,773,761	7,117,142	7,117,142
Net financial assets/ (liabilities)	(2,818,152)	(2,818,152)	(4,044,159)	(4,044,159)

	Company 2009		Company 2008	
	Carrying Amount $	Fair Value $	Carrying amount $	Fair value $
Financial assets				
Cash and cash equivalents	695,046	695,046	100,389	100,389
Trade and other receivables	24,640	24,640	5,414	5,414
Total financial assets	719,686	719,686	105,803	105,803
Financial liabilities				
Trade and other payables	937,724	937,724	798,191	798,191
Borrowings	2,777,990	2,777,990	2,959,583	2,959,583
Total financial liabilities	3,715,714	3,715,714	3,757,774	3,757,774
Net financial assets/ (liabilities)	(2,996,028)	(2,996,028)	(3,651,971)	(3,651,971)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Sensitivity analysis

In managing interest rate and currency risks, the Company endeavours to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates will have an impact on consolidated earnings, although the extent of that impact will depend on the level of cash resources held by the Consolidated Entity. A general increase of one percentage point in interest rates would not be expected to materially impact earnings.

Interest rate risk

The Consolidated Entity's exposure to market risk for changes in interest rates relates primarily to the Consolidated Entity's long term debt obligations.

Cash includes funds held in term deposits and cheque accounts during the year, which earned interest at rates ranging between 0% and 6.75%, depending on account balances.

The following annual interest rates apply to the Consolidated Entity's credit facilities:

Bank overdraft facility	11.75% variable
Lease liabilities	10.25% fixed
Unsecured interest bearing loans	8.00% fixed

All other financial assets and liabilities are non-interest bearing.

At balance date, the Consolidated Entity had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Financial assets				
Cash and cash equivalents	1,289,984	1,099,777	695,046	100,389
Financial liabilities				
Bank overdraft facility	-	(1,272,801)	-	-
Net exposure	1,289,984	(173,024)	695,046	100,389

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre-tax profit and equity would have been affected as follows:

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
Judgements of reasonable possible movements:	$	$	$	$
+1% (100 basis points)				
Pre-tax profit increase/(decrease)	12,890	(1,730)	6,950	1,004
Equity increase/(decrease)	12,890	(1,730)	6,950	1,004
-1% (100 basis points)				
Pre-tax profit increase/(decrease)	(12,890)	1,730	(6,950)	(1,004)
Equity increase/(decrease)	(12,890)	1,730	(6,950)	(1,004)

Foreign currency risk

The Consolidated Entity is exposed to foreign currency on sales, purchases and borrowings that are denominated in a currency other than Australian Dollars. The currency giving rise to this risk is primarily US Dollars.

FMC and its subsidiaries together reported in US$. At balance date, the Consolidated Entity had the following exposure to US$ foreign currency that is not designated in cash flow hedges:

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$	$	$	$
Financial assets				
Cash and cash equivalents	579,407	991,853	-	-
Trade and other receivables	314,693	1,639,014	-	-
Financial liabilities				
Trade and other payables	(600,032)	(1,596,007)	-	-
Borrowings	(271,075)	(167,634)	-	-
Net exposure	22,993	867,226	-	-

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date.

At 30 June, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, pre-tax profit and equity would have been affected as follows:

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
Judgements of reasonable possible movements:	$	$	$	$
AUD/USD +20%				
Pre-tax profit increase/(decrease)	(3,832)	(144,538)	-	-
Equity increase/(decrease)	(3,832)	(144,538)	-	-
AUD/USD -20%				
Pre-tax profit increase/(decrease)	5,749	216,806	-	-
Equity increase/(decrease)	5,749	216,806	-	-

At this stage, the Consolidated Entity does not seek to hedge this exposure.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

Credit risk

The credit risk on financial assets of the Consolidated Entity which have been recognised on the balance sheet is generally the carrying amount, net of any provision for impairment losses.

The Consolidated Entity continuously monitors credit risks arising from its trade receivables which are principally with significant and reputable companies. It is the Consolidated Entity's policy that credit verification procedures, including assessment of credit ratings, financial position, past experience and industry reputation, are performed on new customers that request credit terms. Risk limits are set for each customer and regularly monitored. Receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to bad debts is not significant.

The total credit risk exposure of the Consolidated Entity could be considered to include the difference between the carrying amount of the receivable and the realisable amount. At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases.

The table below analyses the Consolidated Entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The remaining contractual maturities of the Consolidated Entity's and parent entity's financial liabilities are:

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$	$	$	$
6 months or less	3,714,279	5,923,334	2,769,691	2,727,248
6 – 12 months	969,108	286,355	955,992	113,227
1 – 2 years	102,569	1,067,823	-	1,049,213
	4,785,956	7,277,512	3,725,683	3,889,688

19. COMMITMENTS

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$	$	$	$
Operating lease commitments				
Future operating lease rentals not provided for in the financial statements and payable:				
Not later than one year	174,000	170,292	174,000	170,292
Later than one year but not later than five years	290,000	454,112	290,000	454,112
	464,000	624,404	464,000	624,404

The Consolidated Entity leases property under non-cancellable operating leases expiring within 5 years. Leases generally provide the Consolidated Entity with a right of renewal at which time all terms are renegotiated.

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
Finance lease commitments				
Commitments in relation to finance leases are payable as follows:				
Not later than one year	18,610	10,988	-	-
Later than one year but not later than five years	-	18,610	-	-
Minimum lease payments	18,610	29,598	-	-
Future finance charge	(1,260)	(3,530)	-	-
Total lease liabilities	17,350	26,068	-	-
Representing lease liabilities:				
Current (note 14)	17,350	8,718	-	-
Non-current (note 14)	-	17,350	-	-
	17,350	26,068	-	-

The Consolidated Entity leases various plant and equipment with a carrying amount of $10,266 (2008: $22,513) under finance leases expiring within one year.

20. LOSS PER SHARE

The calculation of basic loss per share at 30 June 2009 was based on the loss attributable to ordinary shareholders at $4,235,764 (2008: $8,642,820) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 323,203,255 (2008: 185,500,779) calculated as follows:

	Number 2009	Number 2008
Issued ordinary shares at 1 July	245,348,459	213,898,826
Effect of shares issued on 20 July 2007	-	2,909,065
Effect of shares issued on 29 February 2008	-	921,975
Effect of shares issued on 2 April 2008	-	6,304,388
Effect of shares issued on 8 July 2008	1,006,760	-
Effect of shares issued on 14 July 2008	75,007,611	-
Effect of shares issued on 27 August 2008	982,922	-
Effect of shares issued on 15 April 2009	33,014	-
Effect of shares issued on 22 April 2009	60,274	-
Effect of shares issued on 23 April 2009	47,531	-
Effect of shares issued on 29 April 2009	65,096	-
Effect of shares issued on 7 May 2009	96,333	-
Effect of shares issued on 16 June 2009	33,852	-
Effect of shares issued on 24 June 2009	521,404	-
Issued ordinary shares at 30 June	323,203,255	224,034,254

Diluted earnings per share do not show an inferior view of the earnings performance of the Company than is shown by earnings per share and is not disclosed for this reason.

21. CONTROLLED ENTITIES

	Country of Incorporation	Entity interest 2009	Entity interest 2008
Parent entity			
Vmoto Limited	Australia		
Controlled entities			
Capital Pacific Pty Ltd	Australia	100%	100%
West Surfing Products (USA) Pty Ltd (dormant)	Australia	100%	100%
Vmoto Scooters & Motorcycles (NZ) Pty Ltd	Australia	100%	100%
Creatures of Leisure (USA) Inc (dormant)	USA	100%	100%
Freedomotor Corporation Limited	Hong Kong	100%	100%
Shanghai Haiya Power Manufacturing Co, Ltd	China	67%	67%
Shanghai Freedomotor Import & Export Co, Ltd	China	67%	67%
Nanjing Vmoto Co, Ltd	China	67%	67%

22. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

(i) Directors

Mr Lee Verios	Chairman (Non-Executive) – resigned 29 September 2009
Mr Patrick Davin	Managing Director (Executive) – appointed Director 30 June 2006, Managing Director 30 May 2007
Mr Yi Ting (Charles) Chen	Director (Executive) – appointed 5 January 2007
Mr Trevor Beazley	Director (Non-Executive) – appointed 26 October 2006
Mr Blair Sergeant	Director (Non-Executive) - resigned 29 September 2009

(ii) Executives

Mr Terrence Jones	Chief Operating Officer (Vmoto Limited) – resigned 11 March 2009
Mr Terence Abel	Chief Financial Officer (Vmoto Limited) – resigned 17 July 2009
Mr Yin How (Ivan) Teo	Group Chief Financial Officer (Vmoto Limited) – appointed 17 June 2009

(b) Remuneration of key management personnel by the Consolidated Entity

Directors

Executive Directors are remunerated by way of a salary or consultancy fees, commensurate with their required level of services.

Non-executive Directors receive a fixed monthly fee for their services. Total remuneration for all non-executive Directors, last voted upon by shareholders at the 2007 Annual General Meeting, is not to exceed $200,000 per annum and has been set at a level to enable the Company to attract and retain suitably qualified Directors. The Company does not have any scheme relating to retirement benefits for non-executive Directors.

The Board has not formally constituted an audit, nomination or remuneration committee. The whole Board conducts the functions of an audit, nomination and remuneration committee.

The Company does not have any scheme relating to retirement benefits for non-executive Directors.

Executives

Executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services.

Service contracts

The Consolidated Entity has entered into service contracts with certain key management personnel. The service agreement outlines the components of compensation paid to key management personnel but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed annually on a date as close as possible to 30 June of each year to take into account key management personnel's performance.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

The following table provides the details of all key management personnel and the nature and amount of the elements of their remuneration for the year.

		PRIMARY		POST-EMPLOYMENT	SHARE BASED PAYMENTS	OTHER COMPENSATION	
		Salary & fees	Non-monetary benefits	Superannuation benefits	Valuation of Options	Insurance premiums	Total
In AUD		$	$	$	$	$	$
Directors							
Non-executive							
Mr L Verios (Chairman)	2009	60,000	-	5,400	-	-	65,400
	2008	52,500	-	4,725	103,500	-	160,725
Mr B Sergeant	2009	47,000	-	7,000	-	-	54,000
	2008	52,500	-	8,000	138,000	-	198,500
Mr T Beazley	2009	69,471	-	6,252	-	-	75,723
	2008	36,000	-	3,240	103,500	-	142,740
Executive							
Mr P Davin	2009	183,486	-	16,514	-	-	200,000
	2008	183,486	-	16,514	138,000	-	338,000
Mr Yi Ting (Charles) Chen	2009	163,278	-	-	-	-	163,278
	2008	132,640	-	-	138,000	-	270,640
Total, all directors	2009	523,235	-	35,166	-	-	558,401
	2008	457,126	-	32,479	621,000	-	1,110,605

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

		PRIMARY		POST-EMPLOYMENT	SHARE BASED PAYMENTS	OTHER COMPENSATION	
		Salary & fees	Non-monetary benefits	Superannuation benefits	Valuation of Options	Insurance premiums	Total
In AUD		$	$	$	$	$	$
Executives							
Mr T Jones – Chief Operating Officer Vmoto Limited (resigned 11 March 2009)	2009	193,663	-	14,926	-	-	208,589
	2008	221,136	-	19,902	-	-	241,038
Mr T Abel – Chief Financial Officer Vmoto Limited (resigned 17 July 2009)	2009	134,997	17,617	12,150	-	-	164,764
	2008	120,122	15,629	10,811	-	-	146,562
Mr Y H Teo – Group Chief Financial OfficerVmoto Limited (commenced 17 June 2009)	2009	2,827	-	254	-	-	3,081
	2008	-	-	-	-	-	-
Total, all executives	2009	331,487	17,617	27,330	-	-	376,434
	2008	341,258	15,629	30,713	-	-	387,600

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

Other key management personnel transactions with the Company or its controlled entities

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

			Consolidated		Company	
			2009	2008	2009	2008
	Transaction	Note	$	$	$	$
Directors						
Mr B Sergeant	Consulting fees	(i)	42,000	21,500	42,000	21,500
Mr P Davin	Warehouse rent	(ii)	48,000	48,000	-	-
Mr P Davin	Interest on loan	(iii)	17,529	22,928	17,529	22,928
Mr B Sergeant	Interest on loan	(iv)	36,872	-	36,872	-
			107,529	92,428	59,529	44,428

(i) Mr Sergeant provided corporate advisory services rendered overseas and outside of his Director duties.
(ii) A company associated with Mr Davin owns the warehouse rented to Capital Pacific Pty Ltd.
(iii) Mr Davin provided a short term unsecured loan of $1,183,500 to the Company during the year ended 30 June 2008. During the year ended 30 June 2009, the Company repaid $1,000,000 of the loan received from Mr Davin and $183,500 of the loan remains outstanding as at 30 June 2009. Interest was charged at 8%pa.
(iv) A company associated with Mr Sergeant provided an unsecured loan of US$1 million to the Company during the year ended 30 June 2009 and full amount of this loan remain outstanding as at 30 June 2009. Interest was charged at 6% pa.

Terms for the services are based on market rates. Rent amounts are payable on a monthly basis and the consulting fees when services provided. The interest rate of 8% was less than the market rate and the terms of the loan were considered to be at arm's length or less favourable.

Liabilities at 30 June 2009 arising from the above transaction	2009 $	2008 $	2009 $	2008 $
Current liabilities				
Trade creditors and accruals	42,000	21,500	42,000	21,500
Borrowings	1,493,268	1,206,428	1,493,268	1,206,428
	1,535,268	1,227,928	1,535,268	1,227,928

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

Equity instruments

Option holdings of key management personnel

The movement during the year in the number of options over ordinary shares exercisable at $0.20 on or before 30 September 2012 (Directors) held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

	Held at 1 July 2008	Held at date of appointment	Granted as Remuneration	Exercised	Other changes*	Held at date of resignation	Held at 30 June 2009
Directors							
Mr L Verios	1,500,000	N/A	-	-	-	N/A	1,500,000
Mr P Davin	2,000,000	N/A	-	-	-	N/A	2,000,000
Mr B Sergeant	2,000,000	N/A	-	-	-	N/A	2,000,000
Mr T Beazley	1,500,000	N/A	-	-	-	N/A	1,500,000
Mr C Chen	2,000,000	N/A	-	-	-	N/A	2,000,000

All options vested on the date of issue. No options held by specified directors are vested but not exercisable.
*Other changes represent the net movement in options that were expired or were forfeited during the year.

Equity holdings and transactions of key management personnel

The movement during the year in the number of ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

	Held at 1 July 2008	Held at date of appointment	Additions/ Purchases	Received on exercise of options	Sales	Held at date of resignation	Held at 30 June 2009
Directors							
Mr L Verios	1,500,000	N/A	805,555	-	-	N/A	2,305,555
Mr P Davin	20,000,000	N/A	11,111,111	-	-	N/A	31,111,111
Mr B Sergeant	2,789,039	N/A	-	-	-	N/A	2,789,039
Mr T Beazley	2,463,334	N/A	560,000	-	-	N/A	3,023,334
Mr C Chen	17,085,715	N/A	-	-	-	N/A	17,085,715

23. RECONCILIATION OF CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$	$	$	$
Cash flows from operating activities				
Loss for the year	(4,235,764)	(8,642,820)	(7,472,422)	(7,684,381)
Adjustments for:				
- Goodwill on consolidation written off	-	6,109,813	-	-
- Amounts set aside to provisions	248,528	(23,359)	4,653,975	4,965,567
- Loss on sale of plant and equipment	-	9,412	-	-
- Depreciation and amortisation	330,878	136,789	223,986	60,764
- Share based payments	-	621,000	-	621,000
Operating loss before changes in working capital and provisions	(3,656,358)	(1,789,165)	(2,594,461)	(2,037,050)
(Increase)/decrease in receivables	1,325,225	2,323,432	(19,226)	17,530
(Increase)/decrease in inventories	12,861	196,897	-	-
(Increase)/decrease in other assets	2,113	(134,568)	78,537	(76,998)
(Decrease)/ increase in payables	(971,871)	(466,253)	1,703,176	844,039
Net cash from/(used in) operating activities	(3,288,030)	130,343	(831,974)	(1,252,479)

Effective from April 2008 the Company entered into agreements which involved the purchase of specific assets to commence the Vmoto Europe operations and the employment of an exclusive trading agency, without the acquisition of their holding entities. Although the income of these operations are included as divisions of the Company, administrative delays in establishing subsidiary entities and bank accounts for these operations precluded their inclusion as cash transactions in the Consolidated Statement of Cash Flows.

24. NON-DIRECTOR RELATED PARTIES

Non-director related parties are the Company's controlled entities. Details of the Company's interest in controlled entities are set out in Note 21. Details of dealings with these entities are set out below.

Transactions

The loans to controlled entities are unsecured, interest-free and of no fixed term. The loans are provided primarily for capital purchases and working capital purposes.

Receivables

Aggregate amounts receivable from non-director related parties (Note 6):

	COMPANY	
	2009	2008
	$	$
Non-current		
Unsecured loans to controlled entities	11,918,512	7,377,626
Provision for non recovery	(11,918,512)	(7,377,626)
	-	-

24. NON-DIRECTOR RELATED PARTIES (CONT'D)

Sales

Sales between the entities while they are controlled entities during the year are detailed below. The effects of these sales are eliminated upon consolidation to reflect only the revenue and net profit from sales to outside entities.

	CONSOLIDATED	
	2009	2008
	$	$
Scooter sales by FMC to Capital Pacific Pty Ltd	1,446,047	1,165,973
Scooter sales by Shanghai Freedomotor Import & Export Co. Ltd to FMC	566,195	934,273
Engine sales by Shanghai Haiya Manufacturing Co. Ltd to Shanghai Freedomotor Import & Export Co. Ltd	74,470	187,394

25. SUBSEQUENT EVENTS

Subsequent to balance date:

(a) The Company issued 2.5 million Class E Options to Transocean Securities Pty Ltd on 3 July 2009 as part of the fees for corporate advisory services provided during the year ended 30 June 2009. These options are exercisable at 10 cents each on or before 3 July 2012.

(b) The outstanding principal amount of the Convertible Debenture was fully converted into shares and all accrued interest was fully paid at the date of this report.

The conversions of the Convertible Debenture after 30 June 2009 were as follows:

- On 8 July 2009, $25,000 of the Convertible Debenture was converted into 567,769 shares at a deemed issue price of 4.4 cents per share;
- On 16 July 2009, $63,000 of the Convertible Debenture was converted into 1,310,153 shares, at a deemed issue price of 4.8 cents per share;
- On 27 July 2009, $45,000 of the Convertible Debenture was converted into 867,503 shares, at a deemed issue price of 5.2 cents per share; and
- On 29 July 2009, $41,030.14 of the Convertible Debenture, being the final outstanding principal amount, was converted into 790,973 shares at a deemed issue price of 5.2 cents per share.

(c) As at 28 August 2009, $1,912,500, being the remaining balance of the $3 million share placement was received. The Company issued 47,812,500 shares at 4 cents per share pursuant to approval by shareholders at a General Meeting held on 28 August 2009.

The funds raised will be applied towards the Company's Nanjing manufacturing facility as it commences full scale production over the next few months, repayment of debt and for general working capital purposes.

25. SUBSEQUENT EVENTS (CONT'D)

(d) Also, pursuant to approval by shareholders at the General Meeting held on 28 August 2009, the following shares were issued at a deemed issue price of 4 cents per share on 28 August 2009:

- 3,120,600 shares were issued to Mr Carlos Sotelo as consideration to acquire additional parts and equipment to be used in production of the SCARTT. Mr Sotelo has entered into a voluntary escrow agreement with the Company and these shares will be escrowed for 12 months from the date of issue;
- 1,375,000 shares were issued to Mr William Ali as consideration for consulting and advisory services provided to 30 June 2009;
- 1,532,813 shares were issued to a nominee of Mr Lee Verios in lieu of fees owing to Mr Verios as at 30 June 2009;
- 1,819,251 shares were issued to a nominee of Mr Trevor Beazley in lieu of fees owing to Mr Beazley as at 30 June 2009;
- 1,603,685 shares were issued to Mr Blair Sergeant in lieu of fees owing to Mr Sergeant as at 30 June 2009;
- 2,500,000 shares were issued to Mr Patrick Davin as part repayment of a loan provided by Mr Davin to the Company;
- 3,197,337 shares were issued to Mr Charles Chen as full repayment of a loan, including accrued interest, provided by Mr Chen to the Company in relation to acquisition of FMC in December 2006;
- 625,000 shares were issued to KTA Capital, LLC as part payment of fees payable on termination of the agreement with US institutional investor La Jolla Cove Investors, Inc for the issue of up to four convertible debentures, each with a face value of US$1.5 million, to raise up to US$6 million. KTA Capital, LLC was the corporate advisor to the transaction; and
- 3,375,000 shares were issued to a nominee of Absolute Investments Australia Pty Ltd as payment for professional services provided in relation to the $3 million share placement completed on 28 August 2009.

The financial effect of these transactions has not been brought to account in the financial statements for the year.

DIRECTORS' DECLARATION

In the opinion of the Directors of Vmoto Limited:

(a) the financial statements and notes, set out on pages 25 to 69, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Consolidated Entity and of the Company as at 30 June 2009 and their performance, as represented by the results of their operations and their cashflows, for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and the Group Chief Financial Officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the Directors:

Patrick Davin
Managing Director

Dated at Perth, Western Australia this 30th day of September 2009.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VMOTO LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Vmoto Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Vmoto Limited (the Company) and of the consolidated entity. The consolidated entity comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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PKF

Chartered Accountants
& Business Advisers

the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

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

 (i) giving a true and fair view of the entity's and consolidated entity's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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

PKF

PKF
Chartered Accountants

C Manifis

Conley Manifis
Partner

Dated at Perth, Western Australia this 30th day of September 2009

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Vmoto Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Vmoto Limited and the entities it controlled during the year.

PKF

PKF
Chartered Accountants

C Manifis

Conley Manifis
Partner

Dated at Perth, Western Australia this 30th day of September 2009

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ADDITIONAL SHAREHOLDER INFORMATION

The following information is current as at 11 September 2009:

VOTING RIGHTS

The voting rights attaching to ordinary shares are:

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options do not carry any voting rights.

RESTRICTED SECURITIES

On 28 August 2009, the Company issued 3,120,600 ordinary shares to Mr Carlos Sotelo. These shares are subject to voluntary escrow for a period of 12 months, expiring 28 August 2010.

SUBSTANTIAL SHAREHOLDERS

The number of shares held by substantial shareholders and their associates are set out below:

Name of Substantial Shareholder	Number of Shares	Number of Options
Absolute Investments Australia Pty Ltd	33,265,000	n/a
Patrick Dennis Davin	34,601,111	2,000,000

ON-MARKET BUY BACK

There is no current on-market buy back.

DISTRIBUTION SCHEDULES

Distribution schedules for each class of security as at 11 September 2009 are set out below. Where a person holds 20% or more of the securities in an unquoted class, the name of that holder and number of securities is provided in the notes below.

Fully paid ordinary shares

Range			Holders	Units	%
1	-	1,000	8	3,352	0.00
1,001	-	5,000	78	318,569	0.07
5,001	-	10,000	190	1,743,350	0.41
10,001	-	100,000	603	28,068,526	6.60
100,001	-	Over	329	395,431,180	92.92
Total			1,208	425,564,977	100.00

Options exercisable at $0.199 each on or before 20 July 2010

Range			Holders	Units	%
1	-	1,000	-	-	0.00
1,001	-	5,000	-	-	0.00
5,001	-	10,000	-	-	0.00
10,001	-	100,000	-	-	0.00
100,001	-	Over	1 (1)	383,544	100.00
Total			1	383,544	100.00

ADDITIONAL SHAREHOLDER INFORMATION (CONT'D)

Options exercisable at $0.15 each on or before 30 June 2012

Range			Holders	Units	%
1	-	1,000	-	-	0.00
1,001	-	5,000	-	-	0.00
5,001	-	10,000	-	-	0.00
10,001	-	100,000	-	-	0.00
100,001	-	Over	1 (2)	2,000,000	100.00
Total			1	2,000,000	100.00

Options exercisable at $0.20 each on or before 30 September 2012

Range			Holders	Units	%
1	-	1,000	-	-	0.00
1,001	-	5,000	-	-	0.00
5,001	-	10,000	-	-	0.00
10,001	-	100,000	-	-	0.00
100,001	-	Over	6 (3)	9,000,000	100.00
Total			6	9,000,000	100.00

Options exercisable at $0.09 each on or before 14 July 2013

Range			Holders	Units	%
1	-	1,000	-	-	0.00
1,001	-	5,000	-	-	0.00
5,001	-	10,000	-	-	0.00
10,001	-	100,000	1	100,000	3.08
100,001	-	Over	1 (4)	3,141,527	96.92
Total			2	3,241,527	100.00

Options exercisable at $0.10 each on or before 3 July 2010

Range			Holders	Units	%
1	-	1,000	-	-	0.00
1,001	-	5,000	-	-	0.00
5,001	-	10,000	-	-	0.00
10,001	-	100,000	-	-	0.00
100,001	-	Over	1 (5)	2,500,000	100.00
Total			1	2,500,000	100.00

Notes

(1) Fortrend Small Cap Investors Limited holds 383,544 options exercisable at $0.199 each on or before 20 July 2010.

(2) Carlos Sotelo holds 2,000,000 options exercisable at $0.15 each on or before 30 June 2012.

(3) Karen Julie Beazley <Karen Beazley Family Account> holds 1,250,000; Blair Edward Sergeant & Bronwyn Gaye Lukic <Rio Grande Do Norte Super Fund> hold 2,000,000; Yiting Chen holds 2,000,000; Veracity Pty Ltd <Verios Family Trust> holds 1,500,000 and Patrick Dennis Davin holds 2,000,000 options exercisable at $0.20 each on or before 30 September 2012.

(4) Inteq Limited holds 3,141,527 options exercisable at $0.09 on or before 14 July 2013.

(5) Transocean Securities Pty Ltd holds 2,500,000 options exercisable at $0.10 on or before 3 July 2010.

ADDITIONAL SHAREHOLDER INFORMATION (CONT'D)

UNMARKETABLE PARCELS

Holdings of less than a marketable parcel of ordinary shares (being 4,348 as at 11 September 2009):

Holders	Units
48	135,225

TOP HOLDERS

The 20 largest registered holders of quoted securities as at 11 September 2009 were:

Fully paid ordinary shares

Name	No. Shares	%
Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/C>	38,727,047	9.06
Mr Patrick Dennis Davin	33,611,111	7.87
Absolute Investments Australia Pty Ltd	22,800,000	5.34
Mr Tony Gandel & Mrs Helen Gandel	20,200,000	4.73
CGFH Holdings Pty Ltd <CGFH Holdings A/C>	12,500,000	2.93
Mr William Colin Ali	11,606,667	2.72
Rivapark Pty Ltd <Turbo S/F A/C>	9,165,000	2.14
HSBC Custody Nominees (Australia) Limited – A/C 3	8,000,000	1.87
Jong Kan Foo	7,760,000	1.82
Mr Yiting Chen	7,583,052	1.77
Mr Brendan David Gore <Gore Family A/C>	6,554,166	1.53
Ms Carol Zoccoli	5,653,333	1.32
Henroth Pty Ltd	5,600,000	1.31
TPIC Pty Ltd	5,555,555	1.30
Mr William Colin Ali	5,125,000	1.20
Ms Karen Julie Beazley <Karen Julie Beazley Family A/C>	4,712,585	1.10
Finance Associates Pty Ltd <Super Fund A/C>	3,918,259	0.92
Mr Blair Edward Sergeant	3,835,724	0.90
Cambrian Holdings Pty Ltd	3,500,000	0.82
Mr John Lindsay Smith & Mrs Lynette Gail Smith	3,486,452	0.81
	219,893,951	51.45

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