

APPENDIX 4E

PRELIMINARY FINAL REPORT 12 MONTHS ENDED 30 JUNE 2013

Details of the reporting period and the previous corresponding period

Name of entity

SPRINTEX LIMITED

ACN	Reporting Period	Previous Corresponding Period
106 337 599	Year ended 30/06/2013	Year ended 30/06/2012

Results for announcement to the market

		Change	Amount
Revenue from ordinary activities	Up	11%	to \$1,550,639
Loss for ordinary activities after tax attributed to members	Down	34%	to \$3,449,187
Basic loss per share cents per share	Down	51%	to 0.44 cents

Dividends	Amount per Security	Franked amount per Security
Interim Dividend	Nil	Nil
Final Dividend	Nil	Nil

Record Dates of determining dividend – N/A

Commentary on results and other significant information

Please refer to the attached 2013 financial report for further information on the Group's financial position and performance for the year ended 30 June 2013.

Dividend reinvestment plans

The Company does not operate dividend reinvestment plans.

Net Tangible Asset Backing

	2013 (cents)	2012 (cents)
Net Tangible Assets per ordinary share	0.453	0.780

Details of controlled entities acquired or disposed of

N/a

Details of associates and joint ventures

The Company has a manufacturing facility in Malaysia with a joint venture partner (see note 8).

Audit

This report is based on the financial statements which are in the process of being audited.



Jay Stephenson
Company Secretary

Operating and financial review

Group overview

The Company was established in 2003 and listed on the Australian Stock Exchange in 2008.

The Group's focus is the development and commercialisation of the Sprintex® twin screw supercharger and supercharger systems incorporating the Sprintex® twin screw supercharger.

Operations from the Group's facility in Perth, Western Australia were supplemented in January 2013 with the commissioning of a 1,800 sq/m production facility in the 'Glenmarie' area of Shah Alam in Selangor State, Malaysia which is jointly owned with AutoV Corporation, parent of Proreka (M) Sdn. Bhd, a tier 1 automotive component manufacturer and supplier. The Perth operation is now a dedicated research and development facility with volume production being from the Malaysian facility.

After market supercharger systems

The Group has developed and is selling after market supercharger systems for the following vehicles:

1. Jeep JK Wrangler, 3.8L V6 - 2007 to 2010
2. Jeep TJ Wrangler, 4.0L – 2005 to 2006
3. Mini Cooper S 1.6L – 2002 to 2007
4. Honda Jazz/Fit/Feed 1.5L – 2008 to current
5. Proton Exora and Satria Neo CPS 1.6L – 2011 to current
6. Toyota FT86 / Subaru BRZ / Scion FR-S
7. Honda CRZ – 1.5L Hybrid - 2011 to current

In addition to the abovementioned products, the Group is also working with supercharger systems designers to incorporate the Sprintex® twin screw superchargers in their products.

Business strategies

The Group is focused on developing new superchargers and supercharger systems from its dedicated R&D facility in Perth with manufacturing of products being primarily from the Group's production facility in Malaysia. The expanded range of products is intended to immediately service the needs of the aftermarket sector, where the key drivers are improved performance, while also enabling the Group to showcase its products to Original Equipment Manufacturers with whom the Group is building business relationships, with a view to securing future sales orders.

Operating results for the year

The 2013 year was one in which the Group downsized its production operations in Perth while focusing on the development of after market supercharger systems and establishing a production facility in Malaysia. The financial results reflect this focus, including write-offs of fixed assets and inventory in Perth following the Perth facility being downsized to a dedicated research and development facility:

	2013	2012	Change
	\$	\$	%
Revenue	1,550,639	1,401,179	11%
Net loss for the year	(3,449,187)	(5,191,710)	(34%)

Loss per Share

Basic loss and diluted loss per share for 2013 and 2012 was \$0.0044 and \$0.0089, respectively.

Review of financial condition

Liquidity and capital resources

The Group continued to incur operating losses as a result of the focus on development activities and setting up of its Malaysian facility. These activities were financed by raising capital, sales of products and receipt of Research and Development Incentive grant.

At year end, cash and cash equivalents were \$52,970 compared to \$939,526 at 30 June 2012.

Asset and capital structure

	2013	2012
	\$	\$
Total borrowings	1,075,677	203,761
Cash and cash equivalents	(52,970)	(939,526)
Net debt	<u>1,022,707</u>	<u>(735,765)</u>
Total equity	3,833,774	5,332,328
Total capital	<u><u>4,856,481</u></u>	<u><u>4,596,563</u></u>

Gearing ratio – net debt over total capital

21% **(16%)**

Gearing ratio, defined as net debt over total capital, as at 30 June 2013 was 21% (2011: -16%). The Group's policy for the year ended 30 June 2013 allowed up to 60% of financing to be provided by net debt at any particular time. The Group is currently operating well within its stated policy. Management's policies for determining whether fixed or floating rates of interest are entered into are examined on a yearly basis.

Share issues during the year

The Company raised \$1,802,514 from an entitlement issue at \$0.02 per share and \$1,449,814 from the conversion of options at \$0.02 per share issued to participants in the entitlement issue.

Capital expenditure

Property, plant and equipment of \$217,822 (2012 \$1,066,940) were acquired during the year ended 30 June. These acquisitions related to plant and equipment, including tooling, needed to produce the Company's products. The Company did not have any outstanding capital commitments in respect of acquisition of property plant and equipment contracted for but not provided for in the financial statements.

Profile of borrowings

The profile of the Group's debt finance is as follows:

	2013	2012
	\$	\$
Current		
Insurance premium funding	62,709	85,372
Finance lease liabilities	37,451	55,478
Loans from related parties	293,083	4,824
Convertible notes	661,558	-
	<u>1,054,801</u>	<u>145,674</u>
Non current		
Finance lease liabilities	20,876	58,087
	<u><u>1,075,677</u></u>	<u><u>203,761</u></u>

The Company's debts have increased by 428% over the last year as a result of the issuance of convertible notes and financial support from related parties via the provision of loans.

Likely Developments and Expected Results

The directors are confident that the 2014 financial year will see an increase in sales of superchargers and after market supercharger systems, supplied from the Malaysian production facility which was commissioned in January 2013.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	NOTES	2013 \$	2012 \$
Sales of goods and services		1,550,639	1,401,179
Revenue		1,550,639	1,401,179
Cost of goods sold		(1,433,550)	(969,100)
Gross profit		117,089	432,079
Other income	3.1	-	93,915
Research and development incentive grant	4	1,715,887	615,229
Distribution & marketing expenses		(366,216)	(319,189)
Research & development expenses	3.8	(2,317,050)	(1,607,657)
Inventory impairment expense		(563,575)	(1,644,953)
Impairment of goodwill		-	(479,136)
Administration expenses		(1,280,277)	(1,895,267)
Other expenses	3.2	(200,989)	(227,078)
Operating loss		(2,895,131)	(5,032,057)
Finance income	3.3	10,345	14,340
Finance costs	3.4	(32,211)	(70,104)
Share of loss of joint venture		(532,190)	(103,889)
Loss before income tax expense		(3,449,187)	(5,191,710)
Income tax benefit	5	-	-
Net loss for the year		(3,449,187)	(5,191,710)
Other comprehensive income, net of tax			
- Items that will not be reclassified to profit or loss		-	-
- Items that will be reclassified subsequently to profit or loss		-	-
Total comprehensive income for the year		(3,449,187)	(5,191,710)
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss per share	6	0.44 cents	0.89 cents
Diluted loss per share	6	0.44 cents	0.89 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2013

	NOTES	2013 \$	2012 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10(c)	52,970	939,526
Pledged bank deposits	5	112,000	112,000
Trade and other receivables	6	1,860,974	998,009
Inventories		867,337	1,069,737
Loan due from a joint venture	7(c)	104,953	903,478
TOTAL CURRENT ASSETS		2,998,234	4,022,750
NON-CURRENT ASSETS			
Investment in a joint venture	7	1,031,053	217,448
Property, plant and equipment		1,610,238	1,886,793
Goodwill & intellectual property		24,892	39,111
TOTAL NON-CURRENT ASSETS		2,666,183	2,143,352
TOTAL ASSETS		5,664,417	6,166,102
CURRENT LIABILITIES			
Trade and other payables		541,465	486,233
Interest bearing liabilities	8	1,054,801	145,674
Provisions		213,501	143,780
TOTAL CURRENT LIABILITIES		1,809,767	775,687
NON-CURRENT LIABILITIES			
Interest bearing liabilities	8	20,876	58,087
TOTAL LIABILITIES		1,830,643	833,774
NET ASSETS		3,833,774	5,332,328
EQUITY			
Contributed equity	9	40,220,341	38,244,943
Reserves		71,215	95,980
Accumulated losses		(36,457,782)	(33,008,595)
TOTAL EQUITY		3,833,774	5,332,328

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

CONSOLIDATED ENTITY	Reserves					Total
	Contributed equity Note 9	Convertible note equity	Asset revaluation reserve	Share option reserve	Accumulated losses	
	\$	\$	\$	\$	\$	\$
Balance at 30 June 2011	33,592,819	41,254	814,067	573,966	(29,246,172)	5,775,934
Loss for the year	-	-	-	-	(5,191,710)	(5,191,710)
Other comprehensive income	-	-	-	-	-	-
Total Comprehensive income for the year	-	-	-	-	(5,191,710)	(5,191,710)
Transactions with owners in their capacity as owners						
Issue of shares	3,597,516	-	-	-	-	3,597,516
Funds received in advance of share issue	1,196,090	-	-	-	-	1,196,090
Share issue expenses	(141,482)	-	-	-	-	(141,482)
Share based payment	-	-	-	95,980	-	95,980
Transfer on repayment of convertible note	-	(41,254)	-	-	41,254	-
Transfer on expiry of options	-	-	(814,067)	-	814,067	-
Transfer on sale of property	-	-	-	(573,966)	573,966	-
Balance at 30 June 2012	38,244,943	-	-	95,980	(33,008,595)	5,332,328
Loss for the year	-	-	-	-	(3,761,166)	(3,761,166)
Other comprehensive income	-	-	-	-	-	-
Total Comprehensive income for the year	-	-	-	-	(3,449,187)	(3,449,187)
Transactions with owners in their capacity as owners						
Issue of shares	3,177,328	-	-	-	-	3,177,328
Funds received in advance of share issue	(1,196,090)	-	-	-	-	(1,196,090)
Achievement of performance hurdle	46,097	-	-	(46,097)	-	-
Share issue expenses	(51,937)	-	-	-	-	(51,937)
Share based payment	-	-	-	21,332	-	21,332
Balance at 30 June 2013	40,220,341	-	-	71,215	(36,457,782)	3,833,774

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2013

	NOTES	2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,360,694	711,975
Payments to suppliers and employees		(5,319,065)	(5,511,307)
Interest and finance lease charges paid		(27,739)	(70,104)
Interest received		10,345	14,340
Research & development incentive grant received		964,215	715,229
Net cash flows used in operating activities	10(a)	<u>(3,011,550)</u>	<u>(4,139,867)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Contribution to joint venture entity		(442,317)	(321,337)
Payment of secured deposit		-	(30,000)
Proceeds from sale of property, plant and equipment		15,023	1,484,191
Payments for property, plant and equipment		(217,822)	(1,066,940)
Net cash flows (used in) generated from investing activities		<u>(645,116)</u>	<u>65,914</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,404,586	360,278
Repayment of borrowings		(563,777)	(495,000)
Proceeds from share capital raised		1,981,238	4,693,606
Capital raising costs		(51,937)	(141,482)
Net cash flows generated from financing activities		<u>2,770,110</u>	<u>4,417,402</u>
Net (decrease) / increase in cash and cash equivalents held		(886,556)	343,449
Cash and cash equivalents at the beginning of the financial year		939,526	596,077
Cash and cash equivalents at the end of the financial year	10(c)	<u><u>52,970</u></u>	<u><u>939,526</u></u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

1. Basis of preparation

This preliminary final report has been prepared in compliance with Australian Accounting Standards (AASBs) (including Australian interpretations) as issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

This financial report does not include notes of the type normally included in annual financial statements.

It is recommended that the preliminary final report be read in conjunction with the annual report for the year ended 30 June 2012 and considered together with the continuous disclosure obligations of the ASX listing rules.

The financial report has been prepared on the historical cost basis except for land and buildings which have been measured at fair value.

The accounting policies used in this report are the same as those used in the last annual report.

(a) Going concern

The Company has net assets of \$3,833,774 (2012: \$5,332,328) and net current assets of \$1,188,467 (2012: \$2,343,585) as at 30 June 2013 and incurred a loss of \$3,449,187 (2012: \$5,191,710) and net operating cash outflow of \$3,011,550 (2012: \$3,236,289) for the year ended 30 June 2013.

The Company's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors, including:

- delivery of existing and new products through the Company's distribution network to generate sales revenues and positive cash flows;
- the ability of the Company to raise additional financing; and
- the success of the manufacturing facility in Malaysia.

The financial report has been prepared on a going concern basis. In arriving at this position the directors have had regard to the fact that the Company has, or in the directors' opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

Should the Company not achieve the matters set out above, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

2. Segment information

The Company identifies its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision makers) in assessing performance and in determining the allocation of resources. Operating segments are identified by management based on the similarity of the products produced and sold.

The Company is operating in one segment, being the manufacture and distribution of the patented range of Sprintex® superchargers.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

	2013 \$	2012 \$
3. Revenue and expenses		
3.1 Other income		
Export market development grant	-	66,059
Insurance recovery	-	27,856
	-	93,915
3.2 Other expenses		
Share based payments	21,332	95,980
Loss on disposal of property, plant and equipment, net	141,505	36,250
Net foreign exchange loss	25,209	5,831
Provision for receivables impairment	12,943	89,017
Total other expenses	200,989	227,078
3.3 Other revenue		
Interest income	10,345	14,340
3.4 Finance costs		
Interest and finance charges paid	32,211	70,104
Total finance costs	32,211	70,104
3.5 Employee payments including benefits expense		
Salaries and wages	935,067	1,582,879
Superannuation expense	97,414	99,068
Annual leave and long service leave	2,964	(12,615)
Other employment expense	52,093	66,338
	1,087,538	1,735,670
3.6 Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	313,959	250,658
Amortisation for leasehold improvements	24,052	27,668
Amortisation for trademarks and patents	14,220	14,259
Total depreciation and amortisation	352,231	292,585
3.7 Operating lease expense	183,983	181,794
3.8 Research & Development Expense		
Research & Development staff costs	318,015	449,285
Consultants' costs	394,589	200,154
Materials / service costs	1,604,447	958,218
	2,317,050	1,607,657

4. Loss per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to equity holders of the Company for the year of \$3,449,187 (2012: \$5,191,710) and the weighted average of 788,894,789 (2012: 582,098,257) ordinary shares in issue during the year.

The diluted loss per share amount for the year was the same as the basic loss per share, as the Company did not have any share options outstanding (note 18(b)), and the outstanding performance rights are anti-dilutive at 30 June 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

5. Pledged bank deposits

Deposit – fixed term	82,000	82,000
Deposit – at call	30,000	30,000
	<u>112,000</u>	<u>112,000</u>

Pledged bank deposits at 30 June 2013 represented a fixed deposit for a term of 6 months maturing on 27 September 2013, bearing interest at 3.3% per annum and is pledged against a guarantee in the amount of \$82,000 issued by a bank on behalf of the Company and an at call deposit of \$30,000 supporting credit card facilities. Pledged bank deposits at 30 June 2012 represented fixed deposits maturing on 27 October 2012 and bear interest at a weighted average rate of 6.0% per annum. The deposits were pledged against an operating lease facility granted to the Company (note 25(a)).

	2013	2012
	\$	\$
6. Trade and other receivables		
Trade receivables	366,472	163,584
Allowance for impairment loss	<u>(108,256)</u>	<u>(95,313)</u>
	258,216	68,271
Other receivables	1,351,968	650,028
Trade deposits	173,005	187,596
Prepayments	<u>77,785</u>	<u>92,114</u>
	<u>1,860,974</u>	<u>998,009</u>

Trade receivables are non- interest bearing and are generally on 0-90 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Other receivables mainly represent a research and development incentive grant receivable and are considered fully recoverable.

Trade deposits represent payments to suppliers with no history of unsatisfactory product quality or delivery default and are considered fully recoverable.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

7. Investment in a joint venture

Interests in a joint venture are accounted for using the equity method of accounting. Information relating to the joint venture is set out below:

(a) Investment details	2013	2012
	\$	\$
<i>Unlisted</i>		
Proreka Sprintex Sdn. Bhd. Investment 50% Interest	1,031,053	217,448
	<u>1,031,053</u>	<u>217,448</u>

Proreka Sprintex Sdn. Bhd. is a Malaysian company which is 50% owned by the Company and owns and operates a facility in Malaysia which has been licenced by the Company to assemble and manufacture Sprintex products.

(b) Movements in the carrying amount of the Company's investment in a joint venture

<u>Proreka Sprintex Sdn. Bhd.</u>		
At beginning of year	217,448	-
Investment in preference shares	1,345,794	-
Loan to be converted to preference shares	903,478	-
Conversion of loan to preference shares	(1,177,570)	-
Contribution to joint venture	274,093	321,337
Share of losses	(532,190)	(103,889)
	<u>1,031,053</u>	<u>217,448</u>

(c) Loan due from a joint venture

Proreka Sprintex Sdn. Bhd. (note i)	<u>104,953</u>	<u>903,478</u>
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(i) The loan due from the joint venture is interest free. Repayment is expected to be via the receipt of inventory manufactured by the joint venture.

	2013	2012
	\$	\$
8. Interest bearing borrowings		
Current		
Insurance premium funding (unsecured) (note a)	62,709	85,372
Finance lease liabilities (note b)	37,451	55,478
Loans from related parties (note c)	293,083	4,824
Convertible notes (note d)	661,558	-
	<u>1,054,801</u>	<u>145,674</u>
Non-current		
Finance lease liabilities (note b)	<u>20,876</u>	<u>58,087</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

- (a) Insurance premium funding is unsecured and due for repayment over 10 equal instalments. The effective interest rate of the loan was 5.10% (2012: 8.50%) per annum.
- (b) The average effective interest rate on finance lease liabilities approximated 8.44% (2012: 8.66%) per annum in the year. The carrying value of leased plant and equipment as at 30 June 2013 was \$142,510 (2012: \$201,901). Other details of finance lease liabilities are disclosed in note 25.
- (c) Loans from related parties

Loans from related parties represented unsecured loans from three directors and bear interest of 9% and are repayable on demand.

- (d) The convertible notes have a value of US\$600,000 bear interest at 11.1% per annum paid six monthly in arrears, are secured over the 2012-13 R&D Tax Incentive claim, which will be placed on deposit in trust for the noteholder when received, matures on 7 June 2014 and can be converted into fully paid ordinary shares at A\$0.03 at the option of the noteholder at any time on or before 7 June 2014.

2013 **2012**
\$ **\$**

9. Contributed equity

Paid up capital – ordinary shares	41,299,059	38,075,634
Capital raising costs capitalised	(1,078,718)	(1,026,781)
	40,220,341	37,048,853
Subscription proceeds – shares to be issued	-	1,196,090
	40,220,341	38,244,943

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid shares have no par value.

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

Movements in Ordinary Share Capital	Date	Number of shares	\$
Balance at 1 July 2012		683,197,822	38,244,943
Entitlement Issue Shares at \$0.02 each (note 22(b)(i))	August 2012	83,874,225	1,677,484
Entitlement Issue Shares at \$0.02 – Shortfall placement (note 22(b)(i))	October 2012	6,251,500	125,030
Exercise of options	Oct 12 to Jun 2013	68,740,721	1,374,814
Conversion of performance rights (note 22(b)(ii))		3,750,000	46,097
Less capital raising costs capitalised		-	(51,937)
Contributions to equity net of transaction costs during the period		162,616,446	3,171,488
Less: proceeds received in prior period		-	(1,196,090)
Contributions to equity net of transaction costs during the period		162,616,446	1,975,398
Balance as at 30 June 2013		845,814,268	40,220,341

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

(b) Share Options

	Date	Listed, \$0.02 Exercise, 30 June 2013 Expiry
Movements in Share Options		
Balance at 1 July 2012		-
Entitlement Issue (note i)	August 2012	251,622,675
Entitlement Issue – Shortfall placement (note i)	October 2012	18,754,500
Exercise of options		(68,740,721)
Expiry of options		(201,636,454)
Balance as at 30 June 2013		-

(i) *Entitlement Issue Shares at A\$0.02 per share*

On 10 July 2012, the Company announced a one for one non-renounceable rights issue of fully paid shares in the Company at an issue price of \$0.02 per share with three (3) free attaching options for every new share subscribes for with an exercise price of 2 cents and an expiry date of 30 June 2013 (“Entitlement Issue”).

The Company issued 90,125,725 ordinary shares and 270,377,175 options with an exercise price of 2 cents and an expiry date of 30 June 2013 raising \$1,802,514 via this Entitlement Issue, including via placement of the shortfall.

(ii) *Conversion of Performance Rights*

On 30 November 2011, the Company issued 5,000,000 Class A, 5,000,000 Class B, 5,000,000 Class C and 5,000,000 Class D performance rights to senior management of the Company. 1,250,000 class A, 1,250,000 class B, 1,250,000 class C and 1,250,000 class D Performance Rights expired when a member of senior management resigned. The performance rights were issued for nil cash consideration and each performance right converts into one fully paid ordinary share upon the following vesting conditions being achieved:

CLASS	Condition
Class A Performance Rights	Commencement of manufacturing of superchargers at a facility being established in Malaysia via a joint venture with AutoV Corporation, as was announced by the Company on 5 July 2011.
Class B Performance Rights	First quarter of positive earnings before interest, taxation, depreciation and amortisation.
Class C Performance Rights	First year of positive earnings before interest, taxation, depreciation and amortisation.
Class D Performance Rights	Second consecutive year of positive earnings before interest, taxation, depreciation and amortisation.

1,250,000 of each class of Performance Rights were cancelled upon the resignation of a participant.

3,750,000 Class A Performance Rights were converted to fully paid ordinary shares upon the commencement of manufacturing of superchargers at a facility in Malaysia via a joint venture with AutoV Corporation.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
10. Cash flow statement reconciliation		
(a) Reconciliation of cash flows from operating activities to operating loss after income tax		
Operating loss after income tax	(3,449,187)	(5,191,710)
Add non-cash items:		
Share based payments	21,332	95,980
Net loss (gain) on the sale of assets	141,505	36,250
Depreciation and amortisation	352,067	292,585
Goodwill written off	-	479,136
Impairment of inventory	563,575	255,463
Exchange differences	26,635	-
Accrued interest expense	4,472	-
Share of loss of joint venture	532,190	103,889
Changes in assets and liabilities		
Decrease / (increase) in trade and other receivables	(862,965)	269,333
Decrease / (increase) in inventories	(361,175)	231,484
Increase / (decrease) in trade and other payables	(49,720)	148,652
Increase in provision for warranty	67,908	43,352
Increase / (decrease) in provision for employee entitlements	1,813	(10,903)
Net cash flows used in operating activities	<u>(3,011,550)</u>	<u>(3,236,489)</u>

(b) Non-cash financing and investing activities

The Company acquired \$nil (2012: \$68,924) of equipment under finance leases. This acquisition will be reflected in the statement of cash flow over the terms of the finance leases via lease repayments.

During the year ended 30 June 2012 the Company sold \$903,478 of inventory and intellectual property to its joint venture on deferred terms (see note 22).

	2013	2012
	\$	\$
(c) Reconciliation of cash and cash equivalents to cash flow statement of cash flow		
For the purpose of the statement of cash flow, cash and cash equivalents comprise the following at 30 June:		
Cash at banks and on hand	<u>52,970</u>	<u>939,526</u>
	<u>52,970</u>	<u>939,526</u>

11. Events subsequent to reporting period

In the interval between the end of the period and the date of this report, the Company:

- Announced a non-renounceable entitlement issue to eligible shareholders on 1 July 2013 of one (1) Option, with an expiry date of 30 June 2014 and an exercise price of A\$0.02, for every ordinary share held and 167,789,589 options were issued; and
- Issued \$200,000 of convertible notes secured against the 2012-13 Research and Development Tax Incentive grant the Company expects to receive, with notes having a 10% coupon paid 6 monthly and an option for the holders to convert the notes to fully paid ordinary shares at \$0.03 per share any time on or after the receipt of the 2012-13 Research and Development Tax Incentive grant and before 30 June 2015.