# MERIDIEN CAPITAL LIMITED AND CONTROLLED ENTITY

**(ABN 15 121 348 730)**

**2011 FINANCIAL REPORT**

## Contents

## Corporate Directory

Meridien Capital Limited is a public company incorporated in Australia.

**Directors**
Mr Kevin Shirlaw (Chairman)
Mr Michael Ivkovic
Mr Kevin Good

**Secretary**
Mr Kevin Good

**Registered Office and Principal Place of Business**
Level 29
Chifley Tower,
2 Chifley Square
Sydney NSW 2000
Ph: (02) 9220 3581
Fax: (02) 9375 2121

**Solicitors and Nominated Advisor**
Whittens Lawyers & Consultants
Suite 9, Level 5
137 -139 Bathurst Street
Sydney NSW 2000
Ph: (02) 9264 2216
Fax: (02) 9283 1970

**Website**
**www.meridiencapital.com.au**

**Auditors**
DFK – Richard Hill Pty Ltd
Level 11
32 Martin Place
Sydney NSW 2000
Ph: (02) 9200 4500
Fax: (02) 9221 5935

**Share Registry**
Registries Limited
Level 2 , 28 Margaret Street
Sydney NSW 2000
Ph: (02) 9290 9600
Fax: (02) 9279 0664

## CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2011.

**Board Composition:**

The Board is comprised of three directors, of which all directors are Executive Directors.

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report, their attendances at meetings and their term of office are detailed in the directors' report. Because of the size of the company all directors are not independent directors. This situation will be monitored and reviewed from time to time. The names of the directors of the company in office at the date of this statement are:

| **Name** | **Position** |
|---|---|
| Mr Kevin Shirlaw | Executive Director, Chairman |
| Mr Michael Ivkovic | Managing Director |
| Mr Kevin Good | Executive Director |

When determining whether a non-executive director is independent, the director must not fail any of the following materiality thresholds:

- Less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- No sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- None of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the Chair prior to incurring any expense on behalf of the company.

The names of the members of the nomination committee and their attendance at meetings of the committee are detailed in the directors' report.

**Ethical Standards**

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- Act honestly and in good faith;
- Exercise due care and diligence in fulfilling the functions of office;
- Avoid conflicts and make full disclosure of any possible conflict of interest;
- Comply with the law;
- Encourage the reporting and investigating of unlawful and unethical behaviour; and
- Comply with the share trading policy outlined in the code of conduct.

Directors are obliged to be independent in judgement and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

**Trading Policy**

The company's policy regarding directors and employees trading in it securities, is set by the finance committee. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

## CORPORATE GOVERNANCE STATEMENT

**Audit Committee**

Due to the size of the company, there is no audit committee for the time being.

**Performance Evaluation**

An annual performance evaluation of the Board and all board members was conducted by the Board. The chairman spoke to each director individually regarding their role as director.

**Board Roles and Responsibilities**

The Board is first and foremost accountable to provide value to its shareholders though delivery of timely and balanced disclosures.

The Board sought external guidance to assist the drafting of its 'Board Governance Document' which has been made publicly available on the company's website. This document details the adopted practises and processes in relation to matters reserved for the Board's consideration and decision-making and specifies the level of authorisation provided to other key management personnel. The Board is ultimately responsible for ensuring its actions are in accordance with key corporate governance principles.

**Shareholder Rights**

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Meridien Capital Limited, to lodge questions to be responded by the Board and/or the CEO, and are able to appoint proxies.

**Risk Management**

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks. The CEO has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The worsening economic environment has emphasised the importance of managing the reassessing it key business risks.

**Remuneration Policies**

The company does not presently operate a remuneration committee. The remuneration of all directors is determined by the Board.

All compensation arrangements for directors including the Managing Director are determined by the directors after taking into account the current competitive rates prevailing in the market.

The amount of remuneration for all directors including the full remuneration packages, comprising all monetary and non-monetary components of the Executive and Non Executive Directors, are detailed in the directors' report.

## CORPORATE GOVERNANCE STATEMENT

Executives will receive base salary, superannuation, fringe benefits and in some cases, performance incentives. Executives and staff may be invited by the Board, to participate in the yet to be determined Meridien Capital Limited Directors' and Employee's Option Plan ("Employee's Option Plan"). These packages are reviewed on an ongoing basis and in most cases will be reviewed against predetermined performance criteria.

All remuneration to be paid to present or future executives will be valued at the cost to the company and expensed. Shares issued to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options are valued using the Black-Scholes methodology.

The Board expects that the remuneration structure that is implemented will result in the company being able to attract and retain the best executives to manage the economic entity. It will also provide the executives with the necessary incentives to work to grow long-term shareholder value.

The Board can exercise its discretion in relation to approving incentives, bonuses and options. There are no schemes for retirement benefits other than statutory superannuation for non- executive directors.

**Other Information**

Further information relating to the company's corporate governance practices and policies has been made publicly available on the company's website at <http://www.meridiencapital.com.au/>

# DIRECTORS' REPORT

Your directors present their report, together with the financial statements of the Group, being the Company and its controlled subsidiary for the full financial year ending 30 June 2011.

## PRINCIPAL ACTIVITIES

Over the past twelve months the Company has continued to focus on its core business of assisting small cap companies list on the National Stock Exchange and Australian Stock Exchange.

## OPERATING RESULTS AND REVIEW OF OPERATIONS

## OPERATING RESULTS

The Company acquired a 51% interest in Australian Cable Tray Systems Pty Limited in October 2010 and is for the first time reporting its results on a Group consolidated basis.

The consolidated Group recorded a loss of $1,479,073 for the twelve month period to 30 June 2011. This compared to a profit of $10,411 recorded for the parent Company for the corresponding period last year.

The consolidated Group revenue for the twelve month period to 30 June 2011 was $319,787, which is made up of $21,130 (2010: $162,195) from the parent company and $299,657 (2010: $0) from the newly acquired subsidiary Australian Cable Tray Systems (ACTS).

The parent Company's total expenses for the period amounted to of $578,116 (2010: $402,000). This included bad debt expense of $28,753 (2010: $22,299).The bad debt expense was made in respect of the loans outstanding from Sydlyn Pty Limited and Sydfin Pty Limited, which were companies controlled by key management personnel of the parent company.

The parent Company's expenses in the main reflect the costs associated with the management and promotional initiatives related to listing activities associated with Meridien Resources Limited and the Company's proposed move from the NSX to the ASX.

In October 2010 Meridien Capital acquired a 51% interest in an Australian Cable Tray Systems Pty Limited (ACTS), which was at that time a company without any asset or any operations. Australian Cable Tray Systems commenced operations at its newly leased factory/warehouse in October 2010 but its first shipment of flat steel cable tray products from ACS Thailand did not arrive until April/May2011. Consequently the first stock orders from strategic partner, Anixter left the factory in May/ June 2011 and up to that time marketing efforts had not resulted in any significant project contracts.

Australian Cable Tray Systems recorded a loss of $948,087 for the nine months period to 30 June 2011. The result reflects the startup nature of the Australian Cable Tray Systems (ACTS) business during its first stage of operations.

## REVIEW OF OPERATIONS

Meridien Resources Limited (MRJ) was listed on the ASX on 7 April 2011. Since listing, the shares have traded in a range between $0.07 and $0.335.

After the re-listing of MRJ on the ASX, the Company has increased its holdings to 5,000,000 ordinary shares and 2,500,000 $0.20 options due to a share and option split. Both the shares and options are escrowed until 7 April 2011.

Paniai Gold Limited completed the sale of its Indonesian gold interests to the ASX listed West Wits Limited in June 2011. The consideration was 80 million ordinary shares in West Wits Limited, 46 million performance based shares and 12.5 million options.

Following completion, Meridien Capital was issued with 1.6 million shares which have since been sold at an average price of $0.04.

**REVIEW OF OPERATIONS (cont.)**

Paniai Gold shareholders continue to retain their original interests in the company and therefore an entitlement to share in the performance based shares and options.

The Company's strategy with respect to Peak Minerals Limited has shifted away from an NSX listing to an ASX listing with a new target date of first quarter 2012. The identification of a number of Australian resource development opportunities and a substantial Hong Kong based cornerstone investor should now ensure the progress of this initiative.

In October 2010 Meridien Capital acquired a 51% interest in Australian Cable Tray Systems Pty Limited (ACTS). The other 49% is owned by interests associated with Mr. John Hicks who has had over 10 years experience in the flat steel and wire mesh cable tray industry in Australia.

ACTS manufactures and distributes cable tray products and systems from its newly leased factory/warehouse premises at Blacktown in Sydney. A strategic alliance and agency agreement with ACS Asia (1996) Co. Ltd in Thailand allows ACTS to offer its customers in Australia and New Zealand a comprehensive range of both wire mesh and flat steel cable tray systems. A cable tray is used to support electrical and IT cables. Applications range from construction, mining, industrial, commercial and residential buildings, to hospitals and infrastructure.

Meridien Capital also owns 10% of ACS Asia (1996) Co. Ltd and this initiative is part of a broader strategy to acquire both companies with the objective of integrating the businesses and moving Meridien Capital Limited's listing to the ASX during the second quarter of calendar year 2012.

In September 2011, Meridien Capital also assisted ACTS secure $1.0 million in debtor/trade finance facilities required to support the budgeted growth of this business.

In the July/September 2011 quarter, new orders in excess of $3.0 million were confirmed including a $1.7 million contract with Fluor (Curtis Island) and $1.0 million contract with Stowe/O'Donnell Griffen for Amcor's new paper mill in Botany, Sydney. In addition, sales of mesh tray have grown to a maintainable level of $200,000 per month.

Budgets for the financial year commencing 1 July 2011 anticipate Australian Cable Tray Systems becoming profitable on a monthly basis from December 2011. The arrival of a new wire mesh making machine at the end of November is expected to increase gross margins on wire mesh cable trays from 20% to 60%.

**FINANCIAL POSITION**

The net equity of the consolidated group as at 30 June 2011 was negative $281,812 comparing to positive $641,797 as at 30 June 2010 for the parent company.

A re-assessment of the Company's listed share portfolio and the significant loss recorded by ACTS in its first year of operation were the major contributing factors.

In the twelve month period to 30 June 2011, the Company raised a total of $768,000 of new funding by way of a twelve month convertible note issue. The notes are convertible at $0.45, carry an interest rate of 10% and mature between February and May 2012. During the same twelve month period, the Company raised $82,000 by way of the issue of 520,000 ordinary shares

The Company proposed to raise up to $1.1 million in new capital over the next 3-6 months by way of placement of ordinary shares and subsequent rights issue.

Concurrent with these initiatives, the Company will seek to secure an underwriter for $3.0 million to facilitate the proposed move from the NSX to the ASX.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following are the significant changes in the state of affairs of the Company during the financial year:

- Meridien Resources Limited was listed on the ASX on 7 April 2011.
- Paniai Gold Limited completed the sale of its Indonesian gold interests to ASX listed West Wits Limited.
- Meridien Capital acquired a 51% interest in Australian Cable Tray Systems Pty Limited.
- During the months of October and December 2010, the parent company issued 320,000 ordinary shares at $0.20 and $0.35 per share to sophisticated investors to raise $82,000;
- During October 2010, the parent company issued 200,000 ordinary shares to Fairchoice Pty Ltd as part of the consideration of Fairchoice lending $100,000 to the Company;
- During June 2011, the parent company issued 106,000 ordinary shares to a finance broker as part of the consideration of organizing the issue of the convertible notes;

## DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend at this time. No amount was paid or declared by way of dividend since the commencement of the financial year.

## AFTER BALANCE DATE EVENTS

The following are events that have occurred subsequent to 30 June 2011:

- In the four month period from 1 July to 31 October 2011, the Company has raised a further $42,000 by way of the issue of 120,000 Ordinary shares at $0.35.
- In the four month period from 1 July to 31 October 2011, the Company has raised a further $22,500 by way of a twelve month convertible note issue. The notes carry an interest rate of 10% and are convertible at $0.45.
- The Company sold its West Wits Limited shares for $64,000 in September/October 2011.
- In the three month period from 1 July to 30 September 2011, the minority shareholder in ACTS injected $200,000 in to the business. Of this amount, slightly less than $100,000 was contributed as paid up capital and the other $100,000 as shareholders loans.
- On 31st October 2011 the paid up capital of ACTS was increased from $800,000 to $1,000,000. This initiative had the effect of changing the make-up of Meridien Capital's investment to $500,000 of paid up capital and $100,000 of shareholders loans.
- On 8 November 2011, Collins St Group confirmed an underwriting in respect of 800,000 shares at $0.35 to raise $280,000 of working capital.

## DIRECTORS' REPORT

### FUTURE DEVELOPMENTS & BUSINESS STRATEGIES

The Company will continue to operate as an investment holding company with a particular focus on assisting small cap companies list on the National Stock Exchange of Australia and the Australian Securities Exchange. It is expected that over time this strategy will result in significant growth of the capital value of the Company's investment portfolio and also generate sustainable dividend income from these investments.

The Company is planning to move its listing from the NSX to the ASX in the second quarter of calendar year 2012. The Company's investment in ACTS and proposed acquisition of ACS Asia (1996) Co. Ltd in Thailand is expected to provide a strong platform to achieve this objective. The Company's ability to secure an underwriting commitment of at least $3.0 million is key to the success of this initiative.

### ENVIRONMENTAL ISSUES

The Company's operations are not subject to material environmental regulations under the laws of Commonwealth and State.

### INFORMATION ON DIRECTORS

**Kevin R Shirlaw –** Chairman (Executive)

Qualifications – Chartered Accountant (FCA, ACIS)

Experience – Appointed Chairman in 2007.Board member since 2006. Kevin has specialised in business recovery and insolvency since 1975. He was a senior partner of Horwath and Horwath from 1985 to 1998.

Interest in Shares – 410,000 ordinary shares in Meridien Capital Limited

Interest in Options – As at 30 June 2011, Kevin Shirlaw had options to acquire a further 150,000 ordinary shares. These options lapsed 30 September 2011

Special Responsibilities – Executive Director

Directorships held in other listed entities during the three years prior to the current year – Meridien Resources Ltd

**Kevin Good –** Director (Non - Executive)

Qualifications – No Formal Qualifications

Experience – Appointed Company secretary 2008.Board member since 2006. Kevin is a past director of the financial services company, AAA Financial Group Limited. Kevin is also a past Director of the publicly listed North Queensland Resources NL and the Canadian, publicly listed Anzex Resources Limited.

Interest in Shares – 97,600 ordinary shares in Meridien Capital Limited

Interest in Options – As at 30 June 2011, Kevin Good had options to acquire a further 52,400 ordinary shares. Of these options, 27,400 lapsed 30 September 2011

Special Responsibilities – Company Secretary

Directorships held in other listed entities during the three years prior to the current year – Meridien Resources Ltd

**INFORMATION ON DIRECTORS (cont.)**

**Michael Ivkovic –** Managing Director

Qualifications – Bachelor of Commerce – University of New South Wales

Experience – Appointed Managing Director in 2008.Board member since 2008.Consultant to the Company since 2006. Michael has extensive experience in the structured finance, funds management and investment banking industry in Australia and Asia. Michael was formerly the Chairman of Brick Securities Limited, Executive Chairman of NZI Securities Limited and NZI Investment Services Limited.

Interest in Shares – 569,693 ordinary shares in Meridien Capital Limited

Interest in Options – As at 30 June 2011, Michael Ivkovic had options to acquire a further 552,000 ordinary shares. These options lapsed 30 September 2011

Special Responsibilities – Managing Director

Directorships held in other listed entities during the three years prior to the current year – Meridien Resources Limited

## Meetings of Directors

During the financial year, 5 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

| | Directors' meetings | |
|---|---|---|
| | Number attended | Number eligible to attend |
| **Mr Kevin Shirlaw** | 5 | 5 |
| **Mr Kevin Good** | 5 | 5 |
| **Mr Michael Ivkovic** | 5 | 5 |

## Indemnifying Officers and Auditor

During or since the end of the financial year, the company has given no indemnity or entered into no agreement to indemnify, or paid or agreed to pay insurance premiums.

## Options

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

| Grant Date | Date of Expiry | Exercise Price | Number under Options |
|---|---|---|---|
| 27/2/2009 | 27/2/2014 | $0.25 | 42,400 |

## Proceedings on Behalf of the Company

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

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

**DIRECTORS' REPORT**

**Non-audit Services**

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for professional Accountants set be the Accounting professional and Ethical Standards Board.

The following fees were paid or payable to DFK Richard Hill for non-audit services provided during the year ended 30 June 2011:

| | |
|---|---|
| Consulting services | $30,000 |

**Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on Page17 of the financial report.

## REMUNERATION REPORT

### Remuneration Policy

The remuneration policy of Meridien Resources Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated Group's financial results. The Board of Meridien Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated group is as follows:

- All key management personnel receive the agreed salary or fee.
- The remuneration policy, setting the terms and conditions for the key management personnel, was developed and approved by the board.

All remuneration paid to key management personnel is valued at the cost to the company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by the key management personnel. Options are valued using the Black-Scholes methodology.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

### Performance-based Remuneration

Currently there is no performance-based component.

### Relationship between Remuneration Policy and Company Performances

At this stage there is no relationship between Remuneration Policy and Company Performances.

### Performance Conditions Linked to Remuneration

There is no links between performance conditions and remuneration.

## Employment details of Members of Key Management Personnel and Other Executives

The following table provided employment details of persons who where, during the financial year, members of key management personnel of the consolidated Group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

| | Position held as at 30 June 2011 and any change during the year | Contract details (duration & termination) | Proportions of elements of remuneration related to performance | | | Proportion of elements of remuneration not related to performance | |
|---|---|---|---|---|---|---|---|
| | | | Non-salary cash-based incentive | Shares/ Units | Options/ Rights | Fixed Salary/ Fees | Total |
| | | | % | % | % | % | % |
| **Group Key Management Personnel** | | | | | | | |
| Michael Ivkovic | Managing Director | No fixed term. 3 Month notice required to terminate. | N/A | N/A | N/A | 100 | 100 |
| Kevin Shirlaw | Chairman, Director | No fixed term. 3 Month notice required to terminate. | N/A | N/A | N/A | 100 | 100 |
| Kevin Good | Director | No fixed term. 3 Month notice required to terminate. | N/A | N/A | N/A | 100 | 100 |

The employment terms and conditions of key management personnel and group executives are formalised in contracts of employment.

Terms of employment require that the relevant group entity provide an executive contracted person with a minimum of one month notice prior to termination of contract. Termination payments are generally payable in accordance with the statutory requirement. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least one month notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Chairman, Directors, Chief Executive Officer and Company Secretary. The Board assesses the appropriateness of the nature and amount of emoluments with the objective of ensuring maximum stakeholder benefit from the retention of the Board and Executive.

Remuneration levels for directors and executives of the company are competitively set to attract and retain appropriately qualified and experienced directors and executives

The remuneration structures are designed to attract suitable candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structure takes into account:

- The capability and experience of the Directors and senior executives
- The ability of the Directors and senior executives to control the entity's performance.

There is no performance related remuneration. Remuneration paid to directors cover all broad activities including serving on committees.

## REMUNERATION REPORT

### Director's Remuneration

| | | Short-term benefits | | | | Post-employment benefits | Long-term benefits | Equity-settled share-based payments | Cash-settled share-based payment | Termination benefits | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary and fees | Profit share and bonus | Non monetary | Consulting Fees and Other | | | Options | | | |
| | | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Group Key Management Personnel** | | | | | | | | | | | |
| Mr. Kevin Shirlaw | 2011 | 48,000 | - | 10,625 | - | - | - | - | - | - | 58,625 |
| | 2010 | 4,000 | - | - | - | - | - | - | - | - | 4,000 |
| Mr. Kevin Good | 2011 | 25,000 | - | - | - | - | - | - | - | - | 25,000 |
| | 2010 | - | - | - | - | - | - | - | - | - | - |
| Mr. Michael Ivkovic | 2011 | 55,000 | - | 38,128 | - | - | - | - | - | - | 93,128 |
| | 2010 | 65,919 | - | 20,000 | - | - | - | - | - | - | 85,919 |
| **Total Key Management Personnel** | 2011 | 128,000 | | 48,753 | - | - | - | - | - | - | 176,753 |
| | 2010 | 69,919 | - | 20,000 | - | - | - | - | - | - | 89,919 |
| **Other Executives** | | | | | | | | | | | |
| Mr. David Ivkovic | 2011 | - | - | - | - | - | - | - | - | - | - |
| | 2010 | 72,000 | - | - | - | - | - | - | - | - | 72,000 |

### REMUNERATION REPORT - continued

### Securities Received that are not Performance Related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

### Cash Bonus, Performance-related Bonuses and Share-based Payments

There were no cash bonus, performance-related bonuses and share-based payments for the year ended 30 June 2011.

### Options issued to Directors and Key Executives

There were no options issued to directors and key executives during the financial year 2011.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

**Kevin Shirlaw** Managing Director

Sydney, 9 November 2011

## Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 18 to 66, are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards; and

   b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and consolidated group;

2. the Chief Executive Officer and Chief Finance Officer have each declared that:

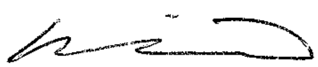
   (a) the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;

   (b) the financial statements and notes for the financial year comply with Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view;

3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



______________________________

Director: Kevin Shirlaw

Sydney, 9 November 2011

Partners:
Richard L.S. Hill
B.Com, F.C.A. FCPA PNG
David G. Sharp
B.Com, A.C.A.

T +61 2 9200 4500
F +61 2 9221 5935
E rhill@dfkrichardhill.com.au
w www.dfkrichardhill.com.au

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF MERIDIEN CAPITAL LIMITED AND CONTROLLED ENTITY**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Name of Firm: DFK Richard Hill

Name of Partner: Richard Hill

Date: 9 November 2011

Address: Level 11,32 Martin Place Sydney 2000

## Comprehensive Income Statement
## for the financial year ended 30 June 2011

| | Notes | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|---|
| **Revenue** | 2 | 319,787 | 162,165 |
| Other income | 2 | - | 30 |
| Employee benefits expense | | (493,299) | (146,307) |
| Depreciation expense | | (27,074) | (11,425) |
| Raw materials & consumables used | | (456,229) | - |
| Occupancy costs | | (228,410) | (97,218) |
| Bad debts expenses | | (28,753) | (22,299) |
| Professional fees | | (213,944) | (65,022) |
| Marketing expenses | | (10,511) | - |
| Other expenses | | (173,422) | (52,170) |
| Finance costs | | (167,218) | (7,342) |
| **Profit/ (Loss) before income tax** | 3 | (1,479,073) | (239,588) |
| Income tax expense | 4 | - | - |
| **Profit/ (Loss) for the year** | | (1,479,073) | (239,588) |
| **Other comprehensive income** | | | |
| Net gain/(loss) on revaluation of financial assets | 2 | (120,721) | 250,000 |
| **Other comprehensive income for the year, net of tax** | | (120,721) | 250,000 |
| **Total comprehensive income for the year** | | (1,599,794) | 10,412 |
| Profit/ (Loss) attributable to: | | | |
| Members of the parent entity | | (1,014,510) | (239,588) |
| Non-controlling interest | | (464,563) | - |
| | | (1,479,073) | (239,588) |
| Total comprehensive income/(loss) attributable to: | | | |
| Members of the parent entity | | (1,135,231) | 250,000 |
| Non-controlling interest | | (464,563) | - |
| | | (1,599,794) | 412,165 |
| Basic earnings per share (cents per share) | 8 | (0.21) | 0.22 |

Notes to the financial statements are attached.

## Statement of Financial Position
## as at 30 June 2011

| | Notes | 2011<br>Consolidated | 2010<br>Parent Only |
|---|---|---|---|
| | | $ | $ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | 9 | 86 | 11 |
| Inventory | | 564,362 | - |
| Trade and Other Receivables | 10 | 341,923 | 185,479 |
| Other Financial asset | 10,12 | 21,586 | - |
| TOTAL CURRENT ASSETS | | 927,957 | 185,490 |
| NON-CURRENT ASSETS | | | |
| Other financial asset | 12 | 561,791 | 682,873 |
| Property, plant and equipment | 14 | 172,900 | 94,261 |
| TOTAL NON-CURRENT ASSETS | | 734,691 | 776,774 |
| TOTAL ASSETS | | 1,662,648 | 962,624 |
| **LIAIBLITIES** | | | |
| CURRENT LIAIBLITIES | | | |
| Trade and other payables | 15 | 1,070,198 | 243,297 |
| Borrowings | 16 | 203,490 | 12,900 |
| Other financial liabilities | 17 | 659,595 | - |
| Provisions | 18 | 11,177 | - |
| TOTAL CURRENT LIABILITIES | | 1,944,460 | 256,197 |
| NON-CURRENT LIABILITIES | | | |
| Other financial liabilities | 17 | - | 63,825 |
| TOTAL NON-CURRENT LIABILITIES | | - | 63,825 |
| TOTAL LIABILITIES | | 1,944,460 | 320,022 |
| NET ASSETS | | -281,812 | 641,797 |
| **EQUITY** | | | |
| Issued Capital | 19 | 1,010,184 | 861,684 |
| Convertible notes | | 135,685 | - |
| Reserves | | 246,279 | 116,999 |
| Accumulated losses | | (1,673,960) | (336,886) |
| TOTAL EQUITY | | (281,812) | 641,797 |

Notes to the financial statements are attached

## Statement of changes in equity
## for the financial year ended 30 June 2011

| | Attributable to equity holders | | | | | |
|---|---|---|---|---|---|---|
| | Issued capital | Options Reserves | Asset Revaluation Reserve | Accumulated losses | Non-controlling interest | Total equity |
| | $ | $ | $ | $ | $ | $ |
| **Balance at 1 July 2009** | 746,684 | 116,999 | | (347,298) | | 516,385 |
| Shares issued during the year | 115,000 | - | | - | | 115,000 |
| Other comprehensive income | - | - | 250,000 | - | - | 250,000 |
| Profit for the period | - | - | | (239,588) | | (239,588) |
| **Balance at 30 June 2010** | 861,684 | 116,999 | 250,000 | (586,866) | | 641,797 |
| Shares issued during the year | 148,500 | - | - | - | - | 148,500 |
| Profit/ (Loss) for the period | - | - | - | (1,014,510) | - | (1,014,510) |
| Other comprehensive loss | - | - | (120,721) | - | - | (120,721) |
| Equity component of convertible notes | 135,685 | - | - | - | - | 135,685 |
| Recognition of non-controlling interest of ACTS | - | - | - | - | 392,000 | 392,000 |
| Loss attributable to non-controlling interest of ACTS | | - | - | - | (464,56) | (464,562) |
| **Balance at 30 June 2011** | 1,145,869 | 116,999 | 129,279 | (1,601,397) | (72,562) | (281,812) |

Notes to the financial statements are attached

## Statement of cash flows
## for the financial year ended 30 June 2011

| | Note | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from Fee income | | 180,048 | 136,336 |
| Receipts from held –for- sale financial asset | | | - |
| Net cash from trading of held for sale financial instruments | | - | - |
| Payments to suppliers and employees (inclusive of GST | | (1,307,211) | (288,887) |
| Interest received | | 126 | - |
| Interest paid | | - | (7,342) |
| Bank Interest Withholding tax | | 799 | - |
| Taxes (paid) received- GST | | - | 8,785 |
| **Net cash inflow from operating activities** | | (1,126,238) | (151,108) |
| **Cash flows from investing activities** | | | |
| Payment for property, plant and equipment | | (71,197) | (12,899) |
| Payment for Investments | | - | - |
| Proceeds from sale of investment | | - | - |
| **Net cash (outflow) from investing activities** | | (71,197) | (12,899) |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares and other equity securities | | 883,952 | 115,000 |
| Borrowed funds | | 768,000 | - |
| Finance costs | | (46,647) | - |
| Repayment of related party loan | | 205 | - |
| **Net cash inflow from financing activities** | | 1,605,511 | 163,974 |
| **Net increase in cash and cash equivalents** | | 75 | (33) |
| Cash at the beginning of the year | 9 | 11 | 44 |
| **Cash at the end of the financial year** | | 86 | 11 |

Notes to the financial statements are attached

## Notes to the financial statements

These consolidated financial statements and notes represent those of Meridien Capital Limited and Controlled Entity (the "consolidated group" or "group").

The separate financial statements of the parent entity, Meridien Capital Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 9 September 2011 by the directors of the company.

### NOTE 1: Summary of Significant Accounting Policies

#### (a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Meridien Capital Limited at the end of the reporting period. A controlled entity is any entity over which Meridien Capital Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled Entity have entered or left the Group during the year, the financial performance of that Entity are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 29 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between Entities in the consolidated group have been eliminated in full on consolidation.

## Notes to the financial statements

### NOTE 1: Summary of Significant Accounting Policies - continued

Non-controlling interest, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, is reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving Entity or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consolidation transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or los, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of good will or a gain from a bargain purchase.

### (b) Going concern

The Company made a comprehensive loss for the year of $1,599,794 (2010: profit $10,412) and a net cash out flow from operating activities of $1,269,794 (2010: $151,108). As at 30 June 2011 the consolidated Group's net equity is negative $281,812. It had minimal cash reserves to satisfy current debts, future operating costs, interest payable of convertible notes and convertible note redemptions, which creates a significant uncertainty in relation to going concern. Under the requirements of the Australian Accounting Standards, the directors have reviewed whether the entity can continue as a going concern by assessing its ability to realise its assets and settle liabilities in the normal course of business and for at least the amounts stated.

The directors concluded it appropriate that the finance report be prepared on a going concern basis because:

**NOTE 1: Summary of Significant Accounting Policies - continued**

1) The Company is in the process of raising a total of $420,000 by way of placements of ordinary shares @ $0.35 cents. These commitments have been underwritten by Collins St Group ($140,000) and Capital 19 Group ($280,000)

2) The Company is negotiating with Capital 19 Group to underwrite a further rights issue with the objective of raising $750,000 in February 2012. The positive earnings outlook for ACTS and the prospect of significant medium term upside in the value of Meridien Resources Limited's shares (with approval of Mining Licence for Lucky Draw tailings dam expected 2012) should underpin this capital raising initiative.

3) In the three month period from 1 July to 30 September 2011, the minority shareholder in ACTS injected $200,000 in to the business. Of this amount, slightly less than $100,000 was contributed as paid up capital and the other $100,000 as shareholders loans. Following the injection of these funds, the paid up capital was increased to $1,000,000.

4) Based on current orders and new debtor/trade finance facilities, it is expected that ACTS will not require any further capital injections.

(c) The company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current reporting period. Disclosures required by these Standards that are deemed material haven been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of financial statements

The company has applied the revised AASB 101 Presentation of Financial Statements (2007) from 1 January 2009. The revision of this standard now requires the company to present all non-owner changes to equity "comprehensive income" in the statement of comprehensive income. The group has presented the income statement and non-owner changes in equity in one statement of comprehensive income. All owner changes in equity are presented separately in the statement of changes in equity.

The presentation requirements have been applied for the entire reporting period and comparative information has been re-presented to also comply with the revised AASB 101.

(d) **Income tax**

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

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

**Notes to the financial statements**

**NOTE 1: Summary of significant accounting policies continued**

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

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

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

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

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

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

### (e) Inventories

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

### (f) Property, Plant and Equipment

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

#### Plant and Equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. A formal assessment of the recoverable amount is made when impairment indicators are present.

**NOTE 1: Summary of significant accounting policies continued**

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

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

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

**Depreciation**

The depreciable amount of all fixed assets including capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Plant and equipment | 5-33% |

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

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

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

**Trade and Other Payables**

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

**NOTE 1: Summary of significant accounting policies continued**

(e) **Financial Instruments**

**Initial recognition and measurement**

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

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

**Classification and subsequent measurement**

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

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

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

*The effective interest* method is used to allocate interest income or interest expenses over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payment or receipts (including fees, transaction costs, and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expenses item in profit or loss.

**Notes to the financial statements**

**NOTE 1: Summary of significant accounting policies continued**

*i. Financial assets at fair value through profit or loss*

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

*ii. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

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

*iii. Held-to-maturity investments*

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

Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

*iv. Available-for-sale financial assets*

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

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

## Notes to the financial statements

### NOTE 1: Summary of significant accounting policies continued

*v. Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

(f) **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset but not the legal ownership, are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(g) **Impairment of Assets**

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

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

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

## Notes to the financial statements

### NOTE 1: Summary of significant accounting policies continued

(h) **Investment in Associates**

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's investment in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume the recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

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

**Functional and presentation currency**

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

**Transactions and balances**

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

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

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in the profit or loss.

**NOTE 1: Summary of significant accounting policies continued**

(j) **Provisions**

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

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

(k) **Cash and cash equivalents**

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

(l) **Critical account estimates and judgements**

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

**Key estimates**

*Impairment*

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

An impairment for the amount of $28,753 has been recognised in respect of two loans to two entities controlled by Michael Ivkovic and Kevin Shirlaw at the end of the reporting period.

Further impairment for the total amount of $184,721 has been recognized in Asset Revaluation Reserve in respect of the Group's holdings of 5 million ordinary shares and 2.5 million options in Meridien Resource Ltd (MRJ). In reaching the fair value of these investments, the Group has considered the trading records of MRJ shares, escrowed factors of the shares and options, the prospect of MRJ, general share market condition etc.

On the 7.5 million ordinary shares in Paniai Gold has appreciated in fair value due to the 1.6 million WWI shares allotted as a share holder of the company. The amount of the appreciation $64,000 has been also recorded in the Asset Revaluation Reserve account. The $64,000 was the actual proceed of the 1.6 million WWI shares which were sold post balance date.

Net result of the above two is the reduction of Available for Sale Financial Asset and the Asset Revaluation Reserve account by the same amount of $129,279.

## NOTE 1: Summary of significant accounting policies continued

*Convertible Notes*

The Group has issued $768,000 convertible notes during the second half of the current financial year. The Board assessed a calm investor would have required 35% return for a note with exact features of the convertible notes but without the converting options. Factors considered in reaching such conclusion including suggested comments from a broker, the risks of the business and the general market sentiment at the time the notes were issued. The equity portion of all of these notes was assessed as $135,685 and liability portion was $632,315.

### (m) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

*Equity-settled compensation*

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

### (n) Revenue and Other Income

Revenue is measured at fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognized and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

## Notes to the financial statements

### NOTE 1: Summary of significant accounting policies continued

Interest revenue is recognised as received.

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

All revenue is stated net of the amount of goods and services tax (GST).

(o) **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

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

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

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

(q) **Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled.

No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

## Notes to the financial statements

### NOTE 1: Summary of significant accounting policies continued

(r) **Earnings per share**

*(i) Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*(ii) Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) **New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting period commencing on or after 1 January 2013).

The standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognising requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and

## Notes to the financial statements

### NOTE 1: Summary of significant accounting policies continued

- requiring an entity that chooses to measure a financial liability tat fair value to present the portion of the change in its fair value to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1January 2011).

  This standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

  AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:
  - Tier 1: Australian Accounting Standards; and
  - Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

  Tier 2 of the framework comprised the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

  The following entities are required to apply Tier 1 reporting requirements (i.e. full IFRS):
  - For-profit private sector entities that have public accountability; and
  - The Australian Government and state, territory and local governments.

  Since the Group is a for-profit private sector entity that has public accountability, it dose not qualify for the reduced disclosure requirements for Tier 2 entities.

  AASB 2010-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

**Notes to the financial statements**

**NOTE 1: Summary of significant accounting policies continued**

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

- AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

  This Standard is not expected to impact the Group.

- AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

  - clarifying the application of AASB 108 prior to an entity's' first Australian-Accounting-Standards financial statements;
  - adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
  - amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
  - adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
  - making sundry editorial amendments to various Standards and Interpretations.

  This Standard is not expected to impact the Group.

- AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023, 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

  This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

## Notes to the financial statements

### NOTE 1: Summary of significant accounting policies continued

- AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

  This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

  This Standard is not expected to impact the Group.

- AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

  As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010-8: Amendments of Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

  This Standard makes amendments to AASB 112: Income Taxes.

  The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

  Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

  The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

  The amendments are not expected to impact the Group.

- AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

  This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

  The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

## Notes to the financial statements

### NOTE 1: Summary of significant accounting policies continued

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

- AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7] (applies to periods beginning on or after 1 January 2013).

  The Standard makes amendments to AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

  The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

  [The amendments to AASB 2009-11 will only affect early adopters of AASB 2009-11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010-7.]

  This Standard is not expected to impact the Group.

## NOTE 2: PARENT INFORMATION

The following has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

| | 2011 $ | 2010 $ |
|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | | |
| ASSETS | | |
| Current assets | 927,957 | 185,046 |
| TOTAL ASSETS | 1,662,648 | 961,819 |
| LIABILITIES | | |
| Current liabilities | 1,944,460 | 256,197 |
| TOTAL LIABILITIES | 1,944,460 | 320,022 |
| EQUITY | | |
| Issued capital | 1,402,184 | 861,684 |
| Retained earnings | (2,065,959) | (336,886) |
| Asset revaluation reserve | 129,279 | - |
| Option reserve | 116,999 | 116,999 |
| Convertible notes | 135,685 | - |
| TOTAL EQUITY | 281,812 | 641,797 |
| **STATEMENT OF COMPREHENSIVE INCOME** | | |
| Total profit / (loss) | (1,479,073) | (239,588) |
| Other comprehensive income | (120,721) | 250,000 |
| Total comprehensive income | (1,559,794) | 10,412 |

**Guarantees**

Meridien Capital Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

## Notes to the financial statements

### NOTE 3: REVENUE AND OTHER INCOME

| | Note | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|---|
| **a. Revenue from continuing operations** | | | |
| Sales revenue: | | | |
| - sale of goods | | 299,657 | - |
| - provision of services | | 15,462 | 146,587 |
| | | 315,119 | 146,587 |
| Other revenue: | | | |
| - interest received: | | 4,668 | - |
| - related parties | | - | 15,579 |
| - other persons | | - | - |
| Total interest revenue on financial assets not at fair value through profit or loss | | 4,668 | 15,579 |
| - rental revenue | | - | - |
| Total revenue | | 319,787 | 162,165 |
| **b. Total revenue and other income from continuing operations** | | | |
| - attributable to members of the parent entity | | 172,955 | 162,165 |
| - attributable to non-controlling interests | | 146,832 | - |
| | | 319,787 | 162,165 |

### NOTE 4: PROFIT FOR THE YEAR

| | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|
| Loss before income tax from continuing operations includes the following specific expenses: | | |
| **Expenses** | | |
| Cartage cost | 209,139 | - |
| | 209,139 | - |

**Notes to the financial statements**

## NOTE 5: INCOME TAX EXPENSE

| | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|
| The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows: | | |
| Prima facie tax benefit on profit from ordinary activities before income tax at 30% | (432,927) | 3,124 |
| Add: | | |
| Tax effect of: | | |
| - Accrual Expenditures | 34,795 | 11,860 |
| - Unrealised Loss (Gain) on Investments | 1,205 | - |
| - Other non-allowance items | 25,293 | 5,513 |
| | (371,635) | 20,496 |
| Less: | | |
| Tax effect of: | | |
| - Capital profits not subject to income tax | - | 75,000 |
| - Accrual Expenditures | (13,222) | 15,510 |
| - Capital raising costs deductible | (8,700) | 8,700 |
| - Other non-allowable items | 4,486 | 3,428 |
| | (389,070) | (82,142) |
| Tax effect of tax losses not brought to account as they do not meet the recognised criteria | 389,070 | 82,142 |
| Deferred tax asset in respect of tax losses not brought to account | (389,070) | (82,142) |
| Income tax attributable to operating loss | - | - |
| Total income tax losses for which no deferred tax asset has been recognised | 1,865,341 | 568,440 |

## NOTE 6. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2011.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

| | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|
| Short–term employee benefits | 131,373 | 89,919 |
| | 131,373 | 89,919 |

**KMP Options and Rights Holdings**

Number of Options Held by Key Management Personnel

| 30 June 2011 | Balance at the beginning of year | Exercised during the year | Balance at end of year | Vested during the year | Vested and exercisable |
|---|---|---|---|---|---|
| Mr. Kevin Shirlaw | 150,000 | - | 150,000 | - | 150,000 |
| Mr. Kevin Good | 52,400 | - | 52,400 | - | 52,400 |
| Mr. Michael Ivkovic | 552,000 | - | 552,000 | - | 552,000 |
| | 754,400 | - | 754,400 | - | 754,400 |

| 30 June 2010 | Balance at the beginning of year | Exercised during the year | Balance at end of year | Vested during the year | Vested and exercisable |
|---|---|---|---|---|---|
| Mr. Kevin Shirlaw | 150,000 | - | 150,000 | 150,000 | 150,000 |
| Mr. Kevin Good | 52,400 | - | 52,400 | 52,400 | 52,400 |
| Mr. Michael Ivkovic | 652,000 | 100,000 | 552,000 | 552,000 | 552,000 |
| | 854,400 | 100,000 | 754,400 | 754,400 | 754,400 |

**Notes to the financial statements**

**NOTE 6. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP) - continued**

**KMP Shareholdings**

Number of Shares held by Key Management Personnel

| 30 June 2011 | Balance at beginning of year | Granted as remuneration during the year | Issued on exercise of options during the year | Other changes during the year | Balance at end of year |
|---|---|---|---|---|---|
| Mr. Kevin Shirlaw | 410,000 | - | - | - | 410,000 |
| Mr. Kevin Good | 97,600 | - | - | - | 97,600 |
| Mr. Michael Ivkovic | 1,033,693 | - | - | - | 1,033,693 |
| Total | 1,541,293 | - | - | - | 1,541,293 |

| 30 June 2010 | Balance at beginning of year | Granted as remuneration during the year | Issued on exercise of options during the year | Other changes during the year | Balance at end of year |
|---|---|---|---|---|---|
| Mr. Kevin Shirlaw | 410,000 | - | - | - | 410,000 |
| Mr. Kevin Good | 97,600 | - | - | - | 97,600 |
| Mr. Michael Ivkovic | 1,134,693 | - | 100,000 | (201,000) | 1,033,693 |
| Total | 1,642,293 | - | 100,000 | (201,000) | 1,541,293 |

**Other KMP Transactions**

There have been no other transactions involving equity instruments other than those described in the tables above. For further details of other transactions with KMP, refer to Note 27: Related Party Transactions.

| **NOTE 7: AUDITORS' REMUNERATION** | **Note** | **2011** | **2010** |
|---|---|---|---|
| | | **Consolidated** | **Parent Only** |
| | | **$** | **$** |
| Remuneration of the auditor of the parent entity for: | | | |
| - auditing or reviewing the financial report | | 45,428 | 18,000 |

**Notes to the financial statements**

## NOTE 8: EARNINGS PER SHARE

| | Note | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|---|
| a. Reconciliation of earnings to profit and loss | | | |
| Gain / (Loss) | | (1,479,073) | 10,412 |
| Gain / (Loss) attributable to non-controlling equity interest | | (464,563) | - |
| Gain / (Loss) used to calculate basic EPS | | (1,014,510) | 10,412 |
| Gain / (Loss) used in the calculation of dilutive EPS | | (1,014,510) | 10,412 |
| | | No. | No. |
| b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | | 5,236,216 | 4,899,400 |

## NOTE 9: CASH AND CASH EQUIVALENTS

| | Note | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|---|
| Cash at bank and in hand | | 86 | 11 |
| | | 86 | 11 |

**Reconciliation of cash**

Cash at end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

| | | |
|---|---|---|
| Cash and cash equivalents | 86 | 11 |

## Notes to the financial statements

| NOTE 10: TRADE AND OTHER RECEIVABLES | Note | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|---|
| **CURRENT** | | | |
| Trade receivables | | 141,670 | - |
| Other receivables | | 110,061 | 66,623 |
| Rental bond receivables | | 90,186 | 6,000 |
| Amounts receivable from: | | | |
| - Key Management Personnel (unsecured) | 10.a | 15,984 | 112,856 |
| | | 341,923 | 185,479 |

**a) Unsecured receivables from other related parties include:**

**i) SYDLYN Pty Ltd (Wine Bloc) Loan (loan to Michael Ivkovic)**

On 6 April 2011, an amount of $50,000 was received from Sydlyn Pty Ltd in respect of the repayment of this loan.

At a subsequent Directors meeting on 24 May 2011 it was resolved that this payment constitutes full and final repayment of the loan and that the balance of $7,503.25 be written off.

**ii) Sydfin Holdings Pty Limited Loan (a loan related to Kevin Shirlaw and Michael Ivkovic)**

Sydfin Holdings Pty Limited is a special purpose company which had secured an option to acquire a 75 unit development site located at Diamond Beach, three hours north of Sydney. Kevin Shirlaw and Michael Ivkovic own one nominal share each in this entity.

Meridien Capital extended a $17,500 loan to Sydfin Holdings Pty Limited to facilitate part of the $70,000 option fee paid to the vendor in 2008. It was originally intended that this property would become the first asset of a new REIT to be listed on the NSX by Meridien Capital.

Major delays with rezoning applications and a generally weak outlook for raising capital for an NSX listed property trust resulted in a decision to sell the Company's interest to one of the other partners in the project.

In recent months, the project has been abandoned by all parties and at a meeting of Directors on 15 September 2011 it was resolved to write off the outstanding amount of $21,250.

**iii) Advance to Michael Ivkovic**

As at 30 June 2011, the Company was owed an amount of $15,984 by Michael Ivkovic. Subsequent to 30 June 2011, this amount has been repaid in full.

**Notes to the financial statements**

## NOTE 10: TRADE AND OTHER RECEIVABLES- continued

### b) Collateral pledged

All Other Receivables outstanding as at 30 June 2011 are unsecured. Refer to Note 10a for further details.

## NOTE 11: INVENTORIES

| | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|
| CURRENT | | |
| At cost: | | |
| Raw materials and stores | 510,256 | - |
| Work in progress | 12,180 | - |
| Finished goods | 41,927 | - |
| | 564,362 | - |
| At net realisable value: | | |
| Raw materials and stores | 510,256 | - |
| Work in progress | 12,180 | - |
| Finished goods | 41,927 | - |
| | 564,362 | - |

## NOTE 12: OTHER FINANCIAL ASSETS

| | Note | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|---|
| CURRENT | | | |
| Available-for-sale financial assets | 12a | 361 | 361 |
| NON-CURRENT | | | |
| Available-for-sale financial assets | 12b | 561,791 | 682,512 |
| | | 562,152 | 682,873 |

**NOTE 12: OTHER FINANCIAL ASSETS- continued**

**a. Available-for-sale financial assets**

| | | |
|---|---|---|
| Investments at fair value(net) | 361 | 361 |
| Total Financial assets at fair value through profit or loss | 361 | 361 |

Shares held for trading are traded for the purpose of short-term profit taking. Changes in fair value are included in the statement of comprehensive income.

**b. Available-for-sale financial assets**

| | | | |
|---|---|---|---|
| Australian listed shares and options (Escrowed) | | 359,138 | 543,859 |
| Unlisted investments, at fair value | | | |
| - shares in unlisted company in Australia | | 71,575 | 7,575 |
| Unlisted investments, at cost | | | |
| - shares in unlisted company in HK | 12c | 131,078 | 131,078 |
| Total available-for-sale investments at fair value | | 561,791 | 682,512 |

**c. Shares/Options in related parties**

i. Unlisted

Gold Crest Holding Ltd (HK)

Principal activity is investment in ACS Thailand.

Meridien Capital Limited has a 10% interest in Gold Crest Holding Ltd (HK)

| | | |
|---|---|---|
| Investment at cost | 131,078 | 131,078 |

## NOTE 13. Controlled Entities

| a. Controlled Entities Consolidated | Country of Incorporation | Percentage Owned (%) | |
|---|---|---|---|
| | | 2011 | 2010 |
| Subsidiaries of Meridien Capital Limited: | | | |
| Australian Cable Tray Systems Pty Ltd | Australia | 51 | - |

* Percentage of voting power is in proportion to ownership

## NOTE 14: PROPERTY, PLANT AND EQUIPMENT

| | Note | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|---|
| **PLANT AND EQUIPMENT** | | | |
| Plant and equipment: | | | |
| At cost | | 223,386 | 117,673 |
| Accumulated depreciation | | (50,486) | (23,412) |
| accumulated impairment losses | | | |
| Total plant and equipment | | 172,900 | 94,260 |

| Consolidated Group | Plant and Equipment | Total |
|---|---|---|
| **Balance at 1 July 2009** | 105,685 | 105,685 |
| Additions | - | - |
| Depreciation expenses | (11,424) | (11,424) |
| **Balance at 30 June 2010** | 94,261 | 94,261 |
| Additions | 105,713 | 105,713 |
| Depreciation expenses | (27,074) | (27,074) |
| **Balance at 30 June 2011** | 172,900 | 172,900 |

## NOTE 15. TRADE AND OTHER PAYABLES

| | Note | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|---|
| CURRENT | | | |
| Unsecured liabilities: | | | |
| Trade payables | | 762,108 | - |
| Other payables and accrued expenses | | 231,238 | 210,516 |
| Amounts payable to related parties | 26 | 76,852 | 32,782 |
| | | 1,070,198 | 243,297 |

## Notes to the financial statements

### Note 16: BORROWINGS

| | Note | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|---|
| CURRENT | | | |
| Secured liabilities: | | | |
| Short term loan | | 75,000 | - |
| Lease liability | | 128,490 | 12,900 |
| Total current borrowings | | 203,490 | 12,900 |
| NON-CURRENT | | | |
| Lease liability | | - | 63,825 |
| Total non-current borrowings | | - | 63,825 |

### NOTE 17. OTHER FINANCIAL LIABILITIES

| | Note | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|---|
| Convertible Notes | | | |
| Face value | | 795,281 | - |
| Fair value adjustment made | | (135,685) | 12,900 |
| Liability Component | | 659,595 | 12,900 |

**Main terms and conditions of the convertible notes are:**

| | |
|---|---|
| Issue Price | $0.45 per Convertible Note |
| Term | The Convertible Notes will have a term ending on 30 June 2012 unless previously repaid or converted into Shares. |
| Interest Rate | 10% per annum on the Issue Price. |
| Interest Payments | Interest is payable quarterly in arrears on each Interest Payment Date. The first Interest Payment Date is 31 March 2011 with the first payment being accrued interest from the Issue Date to that date. Accrued interest will be paid in the event of early Conversion or Redemption. |
| Conversion by Note Holder | Each Convertible Note entitles the Note Holder to one Share (subject to any adjustment for bonus shares, rights issues and capital reconstructions).<br>Upon conversion or redemption, Note holders will also be issued a bonus Share with a face value of $0.45 at the rate of 1 bonus Share for every 3 Convertible Notes converted or repaid.<br>Note Holders may elect to convert their Convertible Notes at any time from the Issue Date to the Expiry Date unless the Company proposes a merger by scheme of arrangement or a takeover bid (as defined in the Corporations Act) in which case the conversion period commences on the announcement of the merger or takeover bid. |

## Notes to the financial statements

### NOTE 17. OTHER FINANCIAL LIABILITIES - continued

| | |
|---|---|
| Redemption | Any Convertible Notes not converted by the Maturity Date must be repaid by the Company at the Issue Price on the Maturity Date. The Company may not redeem the Convertible Notes. |
| Ranking | Until Conversion or Redemption, the Convertible Notes will be unsecured debt obligations of the Company and rank equally with other ordinary unsecured creditors of the Company in relation to repayment of principal and interest. The Convertible Notes will rank behind any secured creditors of the Company but will rank ahead of Shares. |
| | Each Share issued on Conversion will rank equally with all existing Shares then on issue, except that they will not be entitled to any dividend that has been declared or determined but not paid as a the Conversion Date. |
| Bonus Issues | If at any time after the Issue Date but before the Termination Date or Allotment Date, the Company makes a Bonus Issue and issues to the holders of Shares any Bonus Securities, then the Company must issue to the Noteholder Bonus Securities of the number which the Noteholder would have been entitled to receive by way of participation in the issue of Bonus Securities if it had Converted the Convertible Notes into Shares. |
| | The convertible notes are compound financial instruments. The present value for the liability component of initial recognition was $659,595. The balance of $135,685 was recognised in equity. |

### NOTE 18: PROVISIONS

| | Annual Leave | Total |
|---|---|---|
| | $ | $ |
| **Consolidated Group** | | |
| Opening balance at 1 July 2010 | - | - |
| Additional provisions | 11,177 | - |
| Balance at 30 June 2011 | 11,177 | - |

| | Consolidated Group | |
|---|---|---|
| | 2011 | 2010 |
| | $ | $ |
| **Analysis of total provisions** | | |
| Current | 11,177 | - |
| Non-current | - | - |
| | 11,177 | - |

## Notes to the financial statements

### NOTE 19. ISSUED CAPITAL

| | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|
| 5,525,400 (2010: 4,899,400) fully paid ordinary shares | 1,145,869 | 859,011 |
| | **No.** | **No.** |
| **a. Ordinary shares** | | |
| At the beginning of reporting period: | 4,899,400 | 4,399,400 |
| Shares issued during the year | | |
| - 15 July 2009 | - | 70,000 |
| - 5 August 2009 | - | 100,000 |
| - 7 August 2009 | - | 60,000 |
| - 6 October 2009 | - | 30,000 |
| - 24 December 2009 | - | 40,000 |
| - 30 June 2010 | - | 200,000 |
| - 8 October 2010 | 200,000 | |
| - 21 October 2010 | 150,000 | |
| - 31 December 2010 | 120,000 | |
| - 31 December 2010 | 50,000 | |
| - 23 June 2011 | 106,000 | |
| At the end of the reporting period | 5,525,400 | 4,899,400 |
| **b. Convertible Notes** | | |
| At the beginning of the reporting period | | |
| Issue of 1,706,667 convertible notes | 135,685 | - |
| At the end of the reporting period | 135,685 | - |

### Note 20: Capital and Leasing Commitments

| | Note | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|---|
| Capital Expenditure Commitments | | | |
| Capital expenditure commitments contracted for: | | | |
| Plant and equipment purchases | | 128,490 | 76,725 |
| | | 128,490 | 76,725 |
| Payable: | | | |
| - not later than 12 months | | 91,002 | 12,900 |
| - between 12 months and five years | | 37,488 | 63,825 |
| | | 128,490 | 76,725 |

## NOTE 21: CONTIGENT LIABILITIES AND CONTINGENT ASSETS

Other than the one outlined below, there was no other contingent or undetermined and unrecorded obligations of a material amount for which provision has not been made in the financial report or noted thereon. There was no contingent asset of a material amount for which has not been recorded in the financial report or notes either.

- ACTS has obtained Debtors finance for the amount of $1 million in September 2011. Guarantors for the financing agreement include Michael Ivkovic, John Hicks, Meridien Capital Ltd, ACTS.

## Note 22: Operating Segments

Segment Information
Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have simular economic characteristics and are also simular with respect to the following:
- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements.

### Types of products and services by segment

*I Investing*

Assisting small cap companies list on the national Stock Exchange and Australian Stock Exchange.

**Note 22: Operating Segments- continued**

*ii Manufacturing*

The manufacturing and distribution of wire mesh and flat steel electrical cable support products.

**Basis of accounting for purposes of reporting by operating segments**
**(a) Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the group.

**(b) Intersegment transactions**

An internally determined transfer price is set for all intersegment sales. The price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segment based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received not of transaction costs. If intersegment loans receivable and payable are not commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

**(c) Segment assets**

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value form the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

**(d) Segment liabilities**

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered too relate to the group as a whole and are not allocated.

**Notes to the financial statements**

**Note 22: Operating Segments- continued**

**(i) Segment performance**

| **30 June 2011** | **Investing** | **Consolidated Group** **Manufacturing** | **Total** |
|---|---|---|---|
| **REVENUE** | | | |
| External sales | | 299,545 | 299,545 |
| Intersegment sales | 27,000 | | 27,000 |
| Other Sales | 42,573 | | 42,573 |
| Interest revenue | 4,557 | | 4,557 |
| **Total segment revenue** | 74,130 | 299,545 | 373,675 |
| Reconciliation of segment revenue to group revenue: | | | |
| Intersegment elimination | | | (27,000) |
| Total group revenue | | | 346,675 |
| **Segment net (losses) from continuing operations before tax** | (110,037) | (948,087) | (1,058,123) |
| **Reconciliation of segment result to group net profit/loss before tax:** | | | |
| i. Amounts not included in segment result but reviewed by the Board: | | | |
| - depreciation and amortisation | - (11,425) | | (11,425) |
| ii. Unallocated items: | | | |
| - Finance costs | | | (154,952) |
| - Occupancy | | | (21,894) |
| - Professional Fees | | | (153,793) |
| - Other expense | | | (78,887) |
| **Net (losses) before tax from continuing operations** | | | (1,479,073) |

## Notes to the financial statements

### Note 22: Operating Segments- continued

**(i) Segment performance**

| 30 June 2010 | Parent Only<br>Investing | <br>Manufacturing | <br>Total |
|---|---|---|---|
| **REVENUE** | | | |
| Other Sales | 146,587 | - | 146,587 |
| Intersegment sales | - | - | - |
| Interest revenue | 15,579 | | 15,579 |
| **Total segment revenue** | 162,166 | - | 162,166 |
| Reconciliation of segment revenue to group revenue: | | | |
| Intersegment elimination | | | - |
| Total group revenue | | | 162,166 |
| **Segment net profit from continuing operations before tax** | | | |
| **Net profit before tax from continuing operations** | | | 162,166 |

**(ii) *Segment assets***

| 30 June 2011 | Consolidated Group<br>Investing<br>$ | <br>Manufacturing<br>$ | <br>Total<br>$ |
|---|---|---|---|
| Segment assets | 970,233 | 971,286 | 1,941,519 |
| Segment asset increases for the periods: | | | |
| -capital expenditure | - | 55,523 | 55,523 |
| | - | 55,523 | 55,523 |
| Reconciliation of segment assets to group assets: | | | |
| Intersegment eliminations | | | (602,843) |
| Unallocated assets: | | | |
| - Motor vehicle | | | 82,836 |
| - Other receivables | | | 241,136 |
| **Total group assets** | | | 1,662,648 |

**Notes to the financial statements**

**Note 22: Operating Segments- continued**

**(ii) *Segment assets***

| | | Parent Only | |
|---|---|---|---|
| **30 June 2010** | **Investing** | **Manufacturing** | **Total** |
| | **$** | **$** | **$** |
| Segment assets | 961,819 | - | 961,819 |
| Segment asset increases for the period: | | - | |
| - capital expenditure | 0 | 0 | |
| | 0 | - | 0 |
| Reconciliation of segment assets to group assets: | | | |
| Intersegment eliminations | | | - |
| **Total group assets** | | | 961,819 |

**(iii) *Segment liabilities***

| | | Consolidated Group | |
|---|---|---|---|
| **30 June 2011** | **Investing** | **Manufacturing** | **Total** |
| | **$** | **$** | **$** |
| **Segment liabilities** | 69,077 | 1,119,373 | 1,188,450 |
| Reconciliation of segment liabilities to group liabilities: | | | |
| Intersegment eliminations | | | (194,843) |
| Unallocated liabilities: | | | |
| Accrued interest - Convertible note | | | 13,025 |
| Accrued expenses | | | 137,816 |
| Short term loans | | | 75,000 |
| Convertible note | | | 659,595 |
| Hire Purchase | | | 65,416 |
| **Total group liabilities** | | | 1,944,460 |

**Notes to the financial statements**

**Note 22: Operating Segments- continued**

**(iii) *Segment liabilities***

| 30 June 2010 | Investing | Parent Only Manufacturing | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Segment liabilities** | 243,297 | - | 243,297 |
| Reconciliation of segment liabilities to group liabilities: | | | - |
| Intersegment eliminations | | | - |
| Unallocated liabilities: | | | |
| Hire Purchase | 76,725 | | 76,725 |
| **Total group liabilities** | | | 320,022 |

| | Consolidated Group 30 June 2011 | Parent Only 30 June 2010 |
|---|---|---|
| | $ | $ |
| **(iv) Revenue by geographical region** | | |
| Revenue attributable to external customers is disclosed below, based on the location of the external customer: | | |
| Australia | 299,545 | 0 |
| **Total revenue** | 299,545 | 0 |

| | Consolidated Group 30 June 2011 | Parent Only 30 June 2010 |
|---|---|---|
| | $ | $ |
| **(v) Assets by geographical region** | | |
| The location of segment assets by geographical location of the assets is disclosed below: | | |
| Australia | 1,531,570 | 830,741 |
| Hong Kong | 131,078 | 131,078 |
| **Total assets** | 1,662,648 | 961,819 |

**(vi) Major customers**

The Group has a number of customers to whom it provides both products and services. The Group supplies a single external customer in the manufacturing segment who accounts for 91% of external revenue (2010:0%). The next most significant client accounts for 5% (2010:0%) of external revenue.

## NOTE 23: CASH FLOW INFORMATION

| | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|
| **a. Reconciliation of Cash Flow from Operations with Loss after Income Tax** | | |
| Profit/(Loss) from ordinary activities after income tax | (1,479,073) | 10,412 |
| Non-cash flows in profit from ordinary activities | | |
| Bad debt expense | 28,753 | - |
| Depreciation | 27,074 | 11,425 |
| Interest accrued not paid | 13,025 | - |
| Accretion expenses | 27,281 | - |
| Financing costs- share based | 66,500 | - |
| Financing cost- cash | 46,647 | - |
| | (1,269,794) | 21,837 |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries | | |
| (Increase)/decrease in debtors | (98,589) | 23,880 |
| (Increase)/decrease in other assets | (726,039) | (257,575) |
| (Increase/(decrease) in trade creditors and accruals | 968,183 | 60,750 |
| Cash flow from operations | (1,126,238) | (151,108) |

## Note 24: SHARE BASED PAYMENTS

There has been no share based payments issued to any Key Management Personnel during the financial year ended 30 June 2011.

However, in October 2010, 200,000 ordinary shares were issue to Fairchoice Pty Ltd, the company who provided $100,000 loan to the parent company. The fair value of these shares was assessed as $40,000 by the management based on the unit price of the shares issued to sophisticated investors in the same month. The $40,000 has been recognized as part of the financing cost in the P & L.

In addition, in June 2011, 106,000 ordinary shares were issue to an unrelated finance company, as part of the considerations for the sale of convertible notes issued during February to June 2011.
The fair value of these shares was assessed as $26,500 by the management based on the unit price of the shares issued to sophisticated investors in the same month. The $26,500 has been recognized as part of the financing cost in the P & L.

## NOTE 25: EVENTS AFTER THE BALANCE SHEET DATE

- In the four month period from 1 July to 31 October 2011, the Company has raised a further $42,000 by way of the issue of 120,000 Ordinary shares at $0.35.
- In the four month period from 1 July to 31 October 2011, the Company has raised a further $22,500 by way of a twelve month convertible note issue. The notes carry an interest rate of 10% and are convertible at $0.45.
- The Company sold its West Wits Limited shares for $64,000 in September/October 2011.

## Notes to the financial statements

### NOTE 25: EVENTS AFTER THE BALANCE SHEET DATE - continued

- In the three month period from 1 July to 30 September 2011, the minority shareholder in ACTS injected $200,000 in to the business. Of this amount, slightly less than $100,000 was contributed as paid up capital and the other $100,000 as shareholders loans.

- On 31st October 2011 the paid up capital of ACTS was increased from $800,000 to $1,000,000. This initiative had the effect of changing the make-up of Meridien Capital's investment to $500,000 of paid up capital and $100,000 of shareholders loans.

- On 8 November 2011, Collins St Group confirmed an underwriting in respect of 800,000 shares at $0.35 to raise $280,000 of working capital.

### NOTE 26 – RELATED PARTY TRANSACTIONS

**Transactions with related parties:**

Key Management Personnel

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

Mr. Michael Ivkovic is the Managing Director of the Company. During the year he was provided with the use of a company motor vehicle, the cost of which was a total of $20,000 during the reporting period.

Loans to Sydlyn Pty Ltd (Wine Bloc) and Sydfin Holdings Pty Ltd. Refer to Note 10 i) and ii).

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors interests existing at the year end.

**Other Related Entities**

Meridien Resources Limited

Meridien Capital Limited had provided advisory and administrative services to Meridien Resources Limited in relation to the company's listing on the National Stock Exchange and the moving to ASX. All services had been provided in the previous years so no fees have been charged in the current financial year. However the Parent company has been using the same office of MRJ for free in this financial year.

There were insignificant transactions between the two companies and as at the end of the financial year MEK is owing MRJ $10,900.

Mr Kevin J Good and Mr Kevin R Shirlaw were appointed to the position of Director of Meridien Resources Limited on 23 June 2008

## NOTE 26 – RELATED PARTY TRANSACTIONS- continued

| | Note | 2011 Consolidated $ | 2010 Parent Only $ |
|---|---|---|---|
| **Amounts outstanding from related parties:** | | | |
| **Loans to other related parties:** | | | |
| Beginning of the year | | 112,856 | 143,235 |
| Loan offset by Fees entitlement | | (38,643) | (30,379) |
| Loan repayment received | | (50,000) | |
| Interest charged | | 4,540 | - |
| Loan forgiven | | (28,753) | - |
| End of year | | - | 112,856 |
| **Amounts payable to related parties:** | | | |
| **Loans from other related parties:** | | | |
| Beginning of the year | | 32,782 | - |
| Loans advanced | | - | 32,782 |
| Loan repayment received | | (21,882) | - |
| End of year | | 10,900 | 32,782 |
| **Fees outstanding to key management personnel**: | | | |
| Beginning of the year | | - | - |
| Fees entitlements owing | | 56,052 | - |
| End of year | | 56,052 | - |

## NOTE 27. Financial Risk Management

| | | 2011 | | 2010 | |
|---|---|---|---|---|---|
| | Note | Net Carrying Value | Net Fair Value | Net Carrying Value | Net Fair Value |
| **Financial assets** | | $ | $ | $ | $ |
| Cash and cash equivalents | 9 | 86 | 86 | 11 | 11 |
| Trade and other receivables | 10 | 341,923 | 341,923 | 184674 | 184674 |
| Available-for-sale financial assets – at fair value | | | | | |
| -listed investments | 12 | 361 | 361 | 600 | 600 |
| -unlisted investments | 12 | 561,791 | 561,791 | 682,273 | 682,273 |
| **Total financial assets** | | 925,386 | 925,386 | 867,558 | 867,558 |
| **Financial liabilities** | | | | | |
| Trade and other payable | 15 | 1,070,198 | 1,070,198 | 243,297 | 243,297 |
| Loans & Lease liabilities | | 203,490 | 203,490 | 76,725 | 76,725 |
| Convertible notes | | 659,595 | 659,595 | - | - |
| **Total financial liabilities** | | 1,933,283 | 1,933,293 | 320,022 | 320,022 |

### Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries and leases.

The main purpose of non-derivative financial instruments is to raise finance for Group's operations.

No derivatives are being used by the Group during the financial year. The Group does not speculate in the trading of derivative instruments.

Due to the size of the company, a separate finance committee does not exist. The Board of Directors is responsible for monitoring and managing financial risk exposures of the Group. The Board reviews the effectiveness of internal controls relating to commodity price risk, currency risk, financing risk, interest rate risk and future cash flow requirements as required.

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

### Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk, commodity and equity price risk.

**NOTE 27. Financial risk Management – continued**

**a. Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There are no collateral held as security at 30 June 2011.

**b. Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

Preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;

Monitoring undrawn credit facilities;

Obtaining funding from a variety of sources;

Maintaining a reputable credit profile;

Managing credit risk related to financial assets;

***Financial instrument composition and maturity analysis:***

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

## Notes to the financial statements

### NOTE 27. Financial risk Management – continued

| 2011 | WEIGHTED AVERAGE EFFECTIVE INTEREST RATE % | VARIABLE INTEREST RATE $ | FIXED MATURITY DATES: LESS THAN 1 YEAR $ | 1-2 YEARS $ | 2-3 YEARS $ | 3-5 YEARS $ | NON INTEREST BEARING $ | TOTAL $ |
|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | |
| Cash and cash equivalents | | **86** | | | | | | **86** |
| Trade and other receivables | | | | | | | **341,923** | **341,923** |
| Other financial assets | | | | | | | **583,377** | **583,377** |
| | | **86** | | | | | **925,300** | **925,386** |
| **Financial liabilities** | | | | | | | | |
| Trade and other payables | | | | | | | **1,070,198** | **1,070,198** |
| Lease liabilities | **10** | | 863,085 | - | - | - | **-** | **863,085** |
| | | | 863,085 | - | - | - | **1,070,196** | **1,933,283** |

| 2010 | WEIGHTED AVERAGE EFFECTIV E INTEREST RATE % | VARIABLE INTEREST RATE $ | FIXED MATURITY DATES: LESS THAN 1 YEAR $ | 1-2 YEARS $ | 2-3 YEARS $ | 3-5 YEARS $ | NON INTEREST BEARING $ | TOTAL $ |
|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | |
| Cash and cash equivalents | **-** | **11** | **-** | **-** | **-** | **-** | | **11** |
| Trade and other receivables | **-** | **-** | **-** | **-** | **-** | **-** | **184,674** | **184,674** |
| Other financial assets | | **-** | **-** | **-** | **-** | **-** | **682,873** | **682,873** |
| | **-** | **11** | **-** | **-** | **-** | **-** | **867,547** | **867,558** |
| **Financial liabilities** | | | | | | | | |
| Trade and other payables | | **-** | | | | | **243,297** | **243,297** |
| Lease liabilities | **9.29** | **-** | 12,900 | 12,900 | 12,900 | 38,025 | | **76,725** |
| | | **-** | 12,900 | 12,900 | 12,900 | 38,025 | | **320,022** |

## NOTE 27. Financial risk Management – continued

### c. Market Risk

#### i. Interest rate risk

Exposure to interest risk arises on financial assets and liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2011 the only debt that is exposed to interest rate risk is the Lease Liabilities of which the interest is fixed at 9.29% and the Bank Overdraft of which the interest is controlled by market rates.

#### ii. Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than the Group's measurement currency. The Group purchases goods and services from ACS Asia Co Ltd Thailand and therefore fluctuations in the Thai Baht may impact on the Group's financial results unless the exposure is appropriately hedged.

#### iii. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group is exposed to commodity price risk through its ACTS operations. Contracts for the sale and physical delivery of steel are executed whenever possible on a pricing basis intended to achieve a relevant target. Where pricing terms deviate from the index, derivative commodity contracts may be used when available to return realised prices to the index. Contracts for the physical delivery of steel are generally not financial instruments and are carried in the financial statement of position at cost (typically nil). Steel future markets and economic forecasts are constantly monitored to determine whether to implement a hedging program. There were no hedges in place at the end of the reporting period.

The Group is also exposed to securities price risk on investments held for trading or for medium to longer terms. Such risk is managed through diversification of investments across industries and geographical locations.

**NOTE 27. Financial risk Management – continued**

**Sensitivity Analysis**

**Interest Rate Risk, Foreign Currency Risk and Price Risk**

The Company has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. No material effect has been identified through this analysis.

| | Profit $ | | Equity $ | |
|---|---|---|---|---|
| **Year ended 30 June 2010** | **2011** | **2010** | **2011** | **2010** |
| +/- 2% in interest rates | 17,262 | 1535 | | |
| +/- 5% in $A/$HK and Thai Baht | 56,554 | 6,554 | 56,554 | 6,554 |
| +/- 10% in listed investments | 31,930 | 750 | 31,930 | 750 |

**Net Fair Values**

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2009: net fair value).

**Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

**NOTE 27. Financial risk Management – continued**

| | Foot note | 2011 Net Carrying Value | 2011 Net Fair Value | 2010 Net Carrying Value | 2010 Net Fair Value |
|---|---|---|---|---|---|
| **Financial assets** | | $ | $ | $ | $ |
| Cash and cash equivalents | (i) | 86 | 86 | 11 | 11 |
| Trade and other receivables | (i) | 341,923 | 341,923 | 184,674 | 184,674 |
| Available-for-sale financial assets – at fair value | | | | | |
| -listed investments | (ii) | - | - | 600 | 600 |
| -unlisted investments | | 583,376 | 583,376 | 682,273 | 682,273 |
| **Total financial assets** | | 925,386 | 925,386 | 867,558 | 867,558 |
| **Financial liabilities** | | | | | |
| Trade and other payable | (i) | 1,070,198 | 1,070,198 | 243,297 | 243,297 |
| Hire Purchase | | 203,490 | 203,490 | 12,900 | 12,900 |
| **Total financial liabilities** | | 1,273,688 | 1,273,688 | 243,297 | 243,297 |

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value.

(ii) In determining the fair values of the unlisted available-for-sale financial assets, the directors have used inputs that are observable either directly (as prices) of indirectly (derived from prices). The directors have determined that the fair values of the available-for-sale financial assets carried at cost and at recoverable amount cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. Consequently, such assets are recognised at cost and their fair values have also been stated at cost in the table above. There is no active market for these investments, and there is no present intention to dispose of such investments.

**NOTE 28: RESERVES**

**a. Option Reserve**

The option reserve records items recognised as expenses on valuation of employee share options.

**b. Asset Revaluation Reserve**

The Asset Revaluation Reserve records movements in fair value of available for sale financial assets.

## Notes to the financial statements

### NOTE 29: BUSINESS COMBINATIONS

**a. Controlled Entities Consolidated**

| | Country of Incorporation | Percentage Owned (%)* |
|---|---|---|
| Subsidiaries of Meridien Capital Limited | | |
| Australian Cable Tray Systems Pty Ltd | Aust | 51% |

* Percentage of voting power is in proportion to ownership

**b. Acquisition of Controlled Entities**

On 9/9/2010 the parent entity acquired 51% interest of Australian Cable Tray Systems Pty Ltd. The acquisition was a result of the company is implementing a strategy to list Meridien Capital Ltd on ASX. The acquisition resulted in Meridien Capital Limited obtaining control of Australian Cable Tray Systems Pty Ltd.

| | Note | Acquiree's carrying amount<br>$ | Fair Value<br>$ |
|---|---|---|---|
| Purchase consideration: | | | |
| - Cash | | | 51 |
| | | | 51 |
| Less: | | | |
| Receivables | | 100 | 51 |
| **Identifiable assets acquired and liabilities assumed** | | **100** | **51** |
| **Goodwill** | | | - |

| | Note | Acquiree's carrying amount<br>$ | Fair Value<br>$ |
|---|---|---|---|
| Purchase consideration settled in cash | | | 51 |
| **Cash outflow on acquisition** | | | **51** |

ACTS was a dormant company on the date of acquisition.

Profit and revenue resulting from the acquisition of ACTS amounting to $948,087 has been included in the consolidated statement of comprehensive income for the year ended 30 June 2011.

Partners:
Richard L.S. Hill
B.Com, F.C.A. FCPA PNG
David G. Sharp
B.Com, A.C.A.
T +61 2 9200 4500
F +61 2 9221 5935
E rhill@dfkrichardhill.com.au
W www.dfkrichardhill.com.au

**MERIDIEN CAPITAL LIMITED ABN 15 121 348 730 AND ITS CONTROLLED ENTITY**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERIDIEN CAPITAL LIMITED AND CONTROLLED ENTITY**

**Report on the Financial Report**

We have audited the accompanying financial report of Meridien Capital Limited and Controlled Entity, which comprises the financial position as at 30 June 2011, and statement of comprehensive income , statement of changes in equity and statement of cash flow for the year ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company 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 Group are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error; In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS)

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. Those 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 judgment, 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 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.

Partners:
Richard L.S. Hill
B.Com, F.C.A. FCPA PNG
David G. Sharp
B.Com, A.C.A.
T +61 2 9200 4500
F +61 2 9221 5935
E rhill@dfkrichardhill.com.au
W www.dfkrichardhill.com.au

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Meridien Capital Limited on 30 Jun 2011 would be in the same terms if provided to the directors as at the date of this auditor's report.

*Emphasis of Matter*

Without qualifying our conclusion, we draw attention to the following matters

As described in Note 1 to the financial report, the Consolidated Group have made $1,479,073 operating losses during the financial year which was mainly attributed to the $948,087 losses recorded by the newly acquired subsidiary Australian Cable Tray System Pty Ltd. The Group had significant current liabilities amounting to $1,944,460 while it had only $86 cash and $927,870 in current assets at the balance date. As such, there is a significant going concern issue and the Group might not be able to meet the current liabilities due within the next 12 months. However, the board of directors believe that the financial report should still be on the going concern basis because:

- the Group has raised a further $200,000 capital for ACTS post balance date and further $280,000 is being raised and underwritten by a broker firm.
- The Group is also negotiating with Capital 19 Group to underwrite a further right issue with the objective of raising $750,000 in early 2012.
- The Group will seek to secure an underwriter for $3.0 million to facilitate the proposed move from the NSX to the ASX.
- Post balance date, ACTS has been rewarded with some large contracts. Total amount rewarded as of the reporting date is exceeding $3.3 million.

We draw attention to the fact that the Consolidated Group is dependent on the successful negotiation of further funding to provide sufficient funds required until operations are cash positive.

*Auditor's Opinion*

In our opinion:

the financial report of Meridien Capital Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Consolidated Group and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001;

The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

dfk richard hill
LEADING ACCOUNTANTS AND BUSINESS ADVISERS

Partners:
Richard L.S. Hill
B.Com, F.C.A. FCPA PNG
David G. Sharp
B.Com, A.C.A.

T +61 2 9200 4500
F +61 2 9221 5935
E rhill@dfkrichardhill.com.au
w www.dfkrichardhill.com.au

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the report of the directors for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporation Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the remuneration report of Meridien Capital Limited for the year ended 30 June 2011, complies with s 300A of the *Corporation Act 2001*.

Name of firm: DFK Richard Hill

Name of partner: Richard Hill

Address: Level 11,32 Martin Place Sydney 2000

Dated this 9th day of November 2011

## Additional NSX information

The following is additional information provided in accordance with the listing requirements of the National Stock Exchange Limited.

1. Shareholdings at 27 October 2011

**(a) Substantial shareholders**

As shown in the company's register of substantial shareholders is set below:

| | Ordinary shares | % |
|---|---|---|
| FAIRCHOICE LIMITED | 700,000 | 12.518 |
| SYDLYN PTY LTD <IVKOVIC FAMILY SUPER FUND> | 526,000 | 9.406 |

**(b) Distribution of shareholder's holdings as at 27 October 2011 is:**

| Holdings Ranges | Holders | Total Units | % |
|---|---|---|---|
| 1-1,000 | 0 | 0 | 0.000 |
| 1,001-5,000 | 66 | 269,763 | 4.824 |
| 5,001-10,000 | 44 | 351,259 | 6.281 |
| 10,001-100,000 | 74 | 2,174,045 | 38.877 |
| 100,001-99,999,999,999 | 13 | 2,797,000 | 50.017 |
| **Totals** | **197** | **5,592,067** | **100.000** |

**(c) Voting rights**

On show of hands one vote for every registered Shareholder and on a poll, one vote for each share held by a registered Shareholder.

**(d) Additional information**

The company continues to comply with the NSX Listing Rules disclosure requirements and has not been queried by NSX since having listed. The company reports to NSX which makes available all reports to those who wish to access them. All NSX releases and other background information are posted regularly on the company's website. The company intends to post on its website its annual report and all other required notices to its shareholders.

The board reviews and receives advice on areas of operational and financial risks. Business risk management strategies are developed as appropriate to mitigate all identified risks of the business. The directors are aware of the guidelines for the content of a code of conduct to guide compliance with legal and other obligations to shareholders but have not formally established such a code. Where applicable to its activities, the directors ensure that the company is responsible to its shareholders, employees, contractors, advisers, individuals and the community.

## Additional NSX information

### (e) Top twenty shareholders as at 27-10-2011

The names of the 20 largest holders of fully paid ordinary shares constituting a class of quoted equity securities on the NSX including the number and percentage held by those at 27 October 2011 are as follows:

**Top 20 Holdings as at 27-10-2011**

| Holder Name | Balance at 27-10-2011 | % |
|---|---|---|
| FAIRCHOICE LIMITED | 700,000 | 12.518 |
| SYDLYN PTY LTD <IVKOVIC FAMILY A/C> | 526,000 | 9.406 |
| FINLAY (AUST) PTY LTD <SHIRLAW FAMILY A/C> | 250,000 | 4.471 |
| MR JOHN MACFARLANE | 200,000 | 3.576 |
| KARELA GISELLE PTY LTD | 164,000 | 2.933 |
| MR KEVIN SHIRLAW | 150,000 | 2.682 |
| MR STEPHEN JAMES WHITE | 130,000 | 2.325 |
| MR ANDREW KENNETH BRUCE MORTIMER | 125,000 | 2.325 |
| LYNPLAN PTY LTD <LANDER FAMILY A/C> | 117,000 | 2.092 |
| OPTEX EXCHANGE PTY LIMITED <DAVID SUTTON SUPER FUND A/C> | 115,000 | 2.056 |
| CALIBRATE AUSTRALIA PTY LTD <CALIBRATE STAFF S/F A/C> | 110,000 | 1.967 |
| MEGA INVESTMENTS (AUST) PTY LTD <MEGA INVESTMENT A/C> | 106,000 | 1.896 |
| TRIPLE Z HOLDINGS PTY LTD <THE ROBINSON FAMILY S/F A/C> | 104,000 | 1.860 |
| DIND HOLDINGS PTY LIMITED <DIND SUPER FUND A/C> | 100,000 | 1.788 |
| MR DONALD BRETT MCLENNAN | 100,000 | 1.788 |
| ME THOMAS JAMES RICHARD O'BRIEN | 100,000 | 1.788 |
| MR KEVIN GOOD | 97,600 | 1.745 |
| SUPER 1136 PTY LTD <IPI RETIREMENT FUND A/C> | 85,000 | 1.520 |
| PROTO RESOURCES & INVESTMENTS LTD | 84,445 | 1.510 |
| RELATED INDUSTRIES PTY LTD <ALAN AND NINA A/C> | 66,667 | 1.192 |
| | 3,430,712 | 61,350 |

2. The address of the principal registered office in Australia is level 29, Chifley Tower, 2 Chifley Square, Sydney NSW 2000. Telephone 9220 3581.

3. Stock exchange listing
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the NSX under the code MEK.