VALLEYARM DIGITAL LIMITED

[ACN 143 359 568]

OFFER INFORMATION STATEMENT

FOR AN ENTITLEMENT ISSUE TO SHAREHOLDERS OF TRANSOL CORPORATION LIMITED

A non-renounceable pro-rata offer of shares in Valleyarm Digital Limited ("Valleyarm") to shareholders of Transol Corporation Limited [ABN 73 089 224 402] ("Transol") of one (1) Valleyarm share for every ten (10) Transol shares held at 5.00pm (AEST) on 17 December 2012 ("the Record Date") at a subscription price of 1 cent ($0.01) per Valleyarm share ("the Offer").

Shareholders eligible to participate in the Offer who accept their full entitlements may also apply for additional shares and options which are not subscribed.

The Offer is underwritten up to the sum of one hundred thousand dollars ($100,000) by Serec Pty Ltd [ACN 064 450 700] ("the Underwriter").

This Offer Information Statement is dated 7 December 2012 and a copy of this Offer Information Statement was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. ASIC takes no responsibility for the content of this Offer Information Statement.

Investors should obtain professional investment advice before accepting the Offer contained in this Offer Information Statement.

Investment in Valleyarm is highly speculative. Please refer to the statement regarding risks on the following page.

RISKS

A summary of some of the material risks and matters you should consider before accepting the Offer and applying for Valleyarm shares is set out in section 5 of this Offer Information Statement. You should carefully read the risks involved in investing in Valleyarm shares before making any decision to subscribe for Valleyarm shares.

Material Uncertainty Regarding Continuation as a Going Concern - Valleyarm has not achieved profitability or positive cash flows. The audited accounts for the year ending 30 June 2012 which are included in Section 6 of this Offer Information Statement include a statement in the audit report drawing attention to note 2 of the financial report which indicates that Valleyarm and its subsidiaries incurred a total comprehensive loss and incurred negative cash flows from operations during the year and that current liabilities exceeded current assets as at 30 June 2012. The audit report identifies material uncertainty which may cast significant doubt about the ability of Valleyarm and its subsidiaries to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business. Since 30 June 2012 Valleyarm and its subsidiaries have incurred further losses and negative cash flows. When Valleyarm ceases to be a subsidiary of Transol as a result of the Offer, Valleyarm will no longer receive financial support from Transol as a member of the Transol consolidated group and will be reliant upon its own funds or sources of funds it can secure (if any). Valleyarm is unable, on the basis of its past results, to forecast or project that revenue, profits or results will be achieved at any particular level, in a specified timeframe, or at all.

There can be no certainty that Valleyarm and its subsidiaries will have sufficient resources from capital sought to be raised by this Offer Information Statement, revenue or further capital raising or other sources of funds be able to continue their businesses, and investors in Valleyarm may suffer the loss of their entire investment.

TABLE OF CONTENTS

1. IMPORTANT INFORMATION

This Offer Information Statement is not a prospectus and has a lower level of disclosure requirements than a prospectus.

The expiry date of this Offer Information Statement is thirteen months after the date of this Offer Information Statement. No securities will be issued on the basis of this Offer Information Statement later than the expiry date.

This Offer Information Statement does not constitute an offer in any place where, or to any person whom, it would be unlawful to make such an offer. This distribution of this Offer Information Statement in jurisdictions outside the Commonwealth of Australia and New Zealand may be restricted by law and persons who come into its possession should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable security law.

This Offer Information Statement provides information for investors to decide if they wish to invest in Valleyarm and should be read in its entirety. In particular, the risk factors that could affect an investment in Valleyarm shares should be examined. If, after reading this Offer Information Statement, you have any questions about the desirability of, or procedure for, investing in Valleyarm, please contact your stockbroker, accountant or independent financial adviser.

The information in this Offer Information Statement does not constitute financial product advice. This Offer Information Statement does not take into account the investment objectives, financial situation, tax position and particular needs of individual investors. Investors should obtain their own independent advice and consider the appropriateness of the offer of shares and options pursuant to this Offer Information Statement having regard to their own objectives, financial situation, tax position and needs.

All financial amounts shown in this Offer Information Statement are expressed in Australian dollars unless otherwise stated.

A copy of this Offer Information Statement will be displayed in electronic format at www.transolcorp.com. However, the copy of the Offer Information Statement on the Transol website will not include an Entitlement and Acceptance Form. Offers constituted by this Offer Information Statement in electronic form (if any) are only available to eligible persons receiving this Offer Information Statement in electronic form within Australia. Persons having received this Offer Information Statement in electronic form may, during the offer period, obtain a paper copy of this Offer Information Statement (free of charge) by telephoning Transol on +61 8610 8633. Acceptances for Valleyarm shares may only be made on the Entitlement and Acceptance Form which accompanied or was attached to a copy of this Offer Information Statement in its paper copy form or a print out of the form which formed part of or was accompanied by the complete and unaltered electronic version of this Offer Information Statement. The Corporations Act prohibits any person from passing on to another person an Entitlement and Acceptance Form unless it is attached to or accompanied by a hard copy of this Offer Information Statement or by the complete and unaltered electronic version of this Offer Information Statement.

The Corporations Act prohibits Valleyarm from processing acceptances of the Offer in the seven day period after the date of lodgement of the Offer Information Statement. This period is an exposure period to enable the Offer Information Statement to be examined by ASIC prior to the raising of funds. Acceptances received during the exposure period will not be processed until after the expiry of that period. No preference will be conferred on acceptances received in the exposure period. The exposure period may be extended by ASIC, in which case acceptances received during the extended exposure period will not be processed until after the expiry of that period. Acceptances lodged before the end of the exposure period will be treated as if they were received at the same time at the end of the exposure period.

Trademarks referred to in this Offer Information Statement are the property of their respective owners.

2. KEY DATES

Lodgement date	Offer Information Statement lodged with ASIC.	7 December 2012
Record Date	The date for determining entitlements to Valleyarm shares under the Offer.	17 December 2012
Despatch Date	The date the Offer Information Statement will be despatched to eligible shareholders.	19 December 2012
Closing Date	The Offer closes.	24 January 2013
Shortfall Notification Date	Transol notifies ASX of total acceptances received in respect of the Offer and details of shortfall.	30 January 2013
Shortfall Notice Issued to Underwriter	Underwriter notified of any obligation to apply for shortfall in subscriptions below $100,000.	30 January 2013
Allotment Date	New Valleyarm shares applied for under the Offer issued and entered into the members' register.	4 February 2013
Share certificates mail-out date	Valleyarm share certificates despatched together with letter to accepting Transol shareholders setting out details of acceptances received under the Offer.	4 February 2013

The dates and timetable set out above are indicative only. Subject to the Corporations Act, any other applicable laws and the agreement of the Underwriter, Valleyarm reserves the right to, without notice, vary any or all of the dates of the Offer (whether or not they are key dates), including to extend the Offer, close the Offer early, accept late applications (either generally or in particular cases) or withdraw the Offer.

3. GENERAL INFORMATION ABOUT THE OFFER

3.1 Background

On 30 November 2012 Transol's shareholders approved various transactions including the disposal of Transol's interest in Valleyarm Digital Limited ("Valleyarm"), a wholly owned subsidiary of Transol, which conducts a digital music business. In the opinion of the Transol directors the Valleyarm business has reached a stage in its development where further growth would be likely to require and involve additional investment. As an alternative to further investment Transol has elected to divest its interest in Valleyarm and permit the Valleyarm business to be operated independently and separately of Transol.

The purpose of the Offer is to divest Valleyarm from Transol and provide Valleyarm with a quantity of initial capital for development of the Valleyarm business following completion of the Offer.

3.2 Who is the body offering the securities?

Valleyarm Digital Limited
ACN 143 359 568
ABN 61 143 359 568

Tel: (03) 8610 8633
Fax: (03) 8610 8666

Registered Office
Level 14, 31 Queen Street
Melbourne, Victoria, 3000

Website
www.valleyarm.com

3.3 What is the structure of the Offer?

The Offer is a 1 for 10 entitlement issue (i.e. an offer of 1 Valleyarm share for every 10 Transol shares held at the Record Date) at 1 cent ($0.01) per new share to raise up to a maximum of approximately $318,000. The Offer is open to Transol shareholders who hold Transol shares and have a registered address in Australia or New Zealand at 5.00pm on 17 December 2012 ("Eligible Shareholders"). The offer is underwritten up to the sum of $100,000 – for further details on the underwriting refer to section 8 of this Offer Information Statement. The minimum subscription under the offer is $100,000, being the underwritten amount.

In connection with the Offer of new Valleyarm shares under this Offer Information Statement Transol will also transfer its existing 100 Valleyarm shares to one or more shareholders accepting the Offer for consideration equal to the issue price of Valleyarm shares offered under this Offer Information Statement. The transfer of Transol's existing Valleyarm shares will take effect upon, and be subject to, completion of the Offer and on completion of the Offer Transol will cease to hold any shares or interest in Valleyarm.

Shareholders accepting their full entitlements under the Offer are entitled to apply for additional Valleyarm shares above their entitlements, please refer to section 3.6 of this Offer Information Statement for further details.

Further key details are set out in Table 1 below.

TABLE 1 – KEY OFFER AND ENTITLEMENT DETAILS

ENTITLEMENT DETAILS	
Number of Transol shares currently on issue	318,486,960
Maximum number of new Valleyarm shares offered under this Offer Information Statement (1:10)	31,848,596
Offer price per Valleyarm share	$0.01

VALLEYARM CAPITAL STRUCTURE	
Total number of Valleyarm shares on issue prior to Offer	100
Maximum number of Valleyarm shares on issue post-Offer*	31,848,696
Maximum amount raised under the Offer	$318,485.96
Minimum number of Valleyarm shares on issue post-Offer+	10,000,000
Minimum amount raised under the Offer	$100,000

NOTES TO TABLE 1

* *Assumes the Offer is fully subscribed. In addition to the shares set out in the table above, The Company's 100 existing shares in Valleyarm will be transferred in conjunction with issuing Valleyarm shares under this Offer Information Statement, see section 3.3 of this Offer Information Statement.*

\+ *Assumes the underwritten amount of $100,000 is received.*

The Offer is 'non-renounceable' which means that you cannot sell or transfer rights to apply for Valleyarm shares that you do not wish to exercise yourself. Any of your entitlement that is not accepted by you will lapse or revert to the underwriter.

3.4 What is the nature of the securities offered?

The Valleyarm shares offered under this Offer Information Statement are fully paid ordinary shares in the capital of Valleyarm, which will rank equally in all respects with Valleyarm's existing fully paid ordinary shares.

Full details of the rights attaching to the Valleyarm shares are set out in Valleyarm's constitution which has been lodged with the Australian Securities and Investment Commission ("ASIC"), a copy of which is available upon request to Valleyarm. The voting and other rights attaching to the shares offered under this Offer Information Statement are consistent with usual rights attaching to ordinary shares of Australian public companies.

The total amount payable to acquire each Valleyarm share is 1 cent ($0.01). If you accept the Offer you will not be required to pay any fee, commission, charge, or other amount in order to acquire Valleyarm shares.

3.5 What is your entitlement under the Offer?

Your entitlement to Valleyarm shares under the Offer is set out in the personalised Entitlement and Acceptance Form which accompanies this Offer Information Statement. Your entitlement is calculated by dividing the number of Transol shares you hold as at the Record Date by 10. Any fractional entitlements to a Valleyarm share will be rounded to the nearest whole number with entitlements to half a share rounded up. If you have more than one holding of Transol shares you will be sent an Offer Information Statement with a separate Entitlement and Acceptance Form for each holding. Please refer to section 7 of this Offer Information Statement for more information regarding how to accept the Offer.

3.6 Can you apply for extra Valleyarm shares in addition to you entitlement?

Yes. Eligible Shareholders may apply for additional Valleyarm shares. If there is a shortfall in acceptances of the Offer, the directors may allot additional shares at their discretion up to the number of additional Valleyarm shares for which an Eligible Shareholder applies. The Entitlement and Acceptance Form will allow you to apply for shares in addition to your entitlement. If additional shares are not allotted, or if fewer than the number of additional shares applied for are allotted, any additional funds will be returned to you without interest. Subject to the Corporations Act 2001 (Cth), Valleyarm intends to accept all application for additional shares if acceptances for less than $100,000 are received.

In addition the directors of Valleyarm may, at their discretion, place any or all of the shortfall not taken up by Eligible Shareholders (up to the maximum number of Valleyarm shares offered under this Offer Information Statement).

The offer of additional Valleyarm shares from any shortfall is an offer under the Offer Information Statement. Please refer to section 7 of this Offer Information Statement for further details on how to accept the offer and apply for additional Valleyarm shares.

3.7 Can you apply for less than your entitlement?

Yes. The Entitlement and Acceptance Form will allow you to apply for fewer Valleyarm shares than your entitlement.

3.8 Will the Directors of Transol be taking up any of their entitlements?

Yes. Each of the directors of Transol has indicated that they will take up their full direct and indirect entitlement to Valleyarm shares under the Offer – those entitlements are set out in Table 2 below:

TABLE 2: TRANSOL DIRECTORS' DIRECT AND INDIRECT OFFER ENTITLEMENTS

Director	Direct and Indirect Transol Shareholding	Entitlement to Valleyarm shares under the Offer
Angus Edgar	49,989,630	4,998,963
Adrien Wing	1,500,000	150,000
Martin Ralston	Nil	Nil

NOTES TO TABLE 2

Table 2 assumes that no existing Transol options are exercised by, and no other ordinary Transol shares issued to, the Transol directors prior to the Record Date. As noted in Transol's 2012 Annual General Meeting the shares the subject of Resolution 7, to be issued to Mr Wing, will be issued after the Record Date and therefore carry no entitlements to Valleyarm shares under the Offer.

The effect of the commitment by the directors of Transol to fully accept their direct and indirect entitlements under the Offer on their respective percentage holdings in Valleyarm will vary depending on the level of acceptances to the Offer received from Eligible Shareholders.

3.9 Is the Offer underwritten?

Serec Pty Ltd [ACN 064 450 700] ("the Underwriter") (an entity associated with Angus Edgar, a director of Transol and Valleyarm) has agreed to underwrite the Offer. Valleyarm has entered into an Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has agreed to underwrite the difference between subscriptions for Valleyarm shares received and $100,000 if the subscriptions received are less than $100,000. The maximum amount underwritten is $100,000. The amount underwritten by the Underwriter will not be affected by the issue of any new shares by Transol prior to the Record Date as a result of the exercise by shareholders of existing options.

The purpose of the underwriting is to ensure that the Offer raises not less than $100,000. No fees, commissions or other compensation will be paid to the Underwriter for the underwriting.

The effect of the underwriting on the percentage shareholding of Mr Angus Edgar (and his associates, including Serec Pty Ltd) will vary depend on the level of acceptances to the Offer received from Eligible Shareholders. If the Offer is fully subscribed all Transol shareholders will hold a percentage holding in Valleyarm equal to their percentage shareholding in Transol at the Record Date (as the offer is pro-rata and in that case there would not be any scope for any shareholder to be issued with Valleyarm shares above their entitlement and there would be no shortfall for the Underwriter).

Further details of the underwriting agreement entered into between Valleyarm and the Underwriter are set out in section 8.

Set out below, for illustrative purposes, are three tables showing the respective direct and indirect percentage interests of the directors in Transol (including the percentage interests of their associates) in circumstances where:

- the Offer is 50% subscribed and raises $159,243.48 (**Table 3**);
- the Offer is 20% subscribed and raises $100,000 (being the Underwritten Amount) (**Table 4**); and
- no acceptances are received from Eligible Shareholders (other than the directors) and the Offer raises $100,000 (being the Underwritten Amount) (**Table 5**).

TABLE 3: EFFECT ON TRANSOL DIRECTORS' DIRECT AND INDIRECT VALLEYARM SHAREHOLDING ASSUMING 50% SUBSCRIPTIONS

	Offer is 50% Subscribed 15,924,348 Valleyarm shares issued		
	Entitlement	**Underwriting**	**Total (% shareholding)**
A. Edgar	4,998,963	Nil	4,998,963 (31.39%)
A. Wing	150,000	Nil	150,000 (0.94%)
M. Ralston	Nil (0%)		

TABLE 4: EFFECT ON TRANSOL DIRECTORS' DIRECT AND INDIRECT VALLEYARM SHAREHOLDINGS ASSUMING 25% SUBSCRIPTIONS

	Offer is 20% Subscribed 10,000,000 Valleyarm shares issued		
	Entitlement	**Underwriting**	**Total (% shareholding)**
A. Edgar	4,998,963	3,630,261	8,629,224 (86.29%)
A. Wing	150,000	Nil	150,000 (1.50%)
M. Ralston	Nil (0%)		

TABLE 5: EFFECT ON TRANSOL DIRECTORS' DIRECT AND INDIRECT VALLEYARM SHAREHOLDING ASSUMING NO SUBSCRIPTIONS

	No acceptances received from Eligible Shareholders (other than Transol Directors) 10,000,000 Valleyarm shares Issued		
	Entitlement	**Underwriting**	**Total (% shareholding)**
A. Edgar	4,998,963	4,851,037	9,850,000 (98.50%)
A. Wing	150,000	Nil	150,000 (1.50%)
M. Ralston	Nil (0%)		

NOTES TO TABLES 3, 4 AND 5

Tables 3, 4 and 5 assume that no existing Transol options are exercised by, or other new ordinary Transol shares issued to, any of the Transol directors or any other Transol shareholders prior to the Record Date. As noted in Transol's 2012 Annual General Meeting the shares the subject of Resolution 7 to be issued to Mr Wing will be issued after the Record Date and therefore carry no entitlements to Valleyarm shares under the Offer.

3.10 How will Valleyarm use funds raised through the Offer?

It is anticipated that funds raised through the Offer will be applied as set out in the table below:

Objectives	Full Acceptance $318,486	Minimum Subscription Underwritten Amount $100,000
IT Development	$80,000	Nil
Marketing and Promotion	$58,000	Nil
Content Acquisition	$40,000	Nil
Business Development	$40,000	Nil
Administration & general working capital	$70,486	$70,000
Costs of the Offer	$30,000	$30,000
TOTAL	**$318,486**	**$100,000**

Administration costs comprise accounting, audit, taxation, rent and outgoings, and general expenses such as office supplies, printing and postage, including the payment of fees to directors of Valleyarm (including Angus Edgar and Adrien Wing, who are also currently directors of Transol) of up to $18,000 per annum in aggregate.

If full acceptances are not received but funds exceeding $100,000 are raised, funds in excess of $100,000 up to approximately $40,000 will be applied to IT development and then allocated amongst the remaining objectives set out in the table above as deemed appropriate by the directors of Valleyarm having regarding to, amongst other things, the status and development of the Valleyarm business. The Company will also use revenue generated by its activities to fund operational costs including administrative costs. As noted on page 2 and in Section 5, Valleyarm has not achieved profitability or positive cash flows. Valleyarm is unable, on the basis of its past results, to forecast or project that revenue, profits or results will be achieved at any particular level, in a specified timeframe, or at all. The level of future operations and continued existence of the Valleyarm business can be expected to be dependent on the Company's ability to obtain funds by further capital risings or from other sources (if any).

4. VALLEYARM'S BUSINESS

4.1 Company Structure and Background

Valleyarm was incorporated on 28 April 2010, and its directors are Angus Edgar, Adrien Wing and Gary Mackenzie. Valleyarm's head office is located in Melbourne, and it also has offices in Melbourne, Singapore, Manila and Berlin, and partner offices throughout Asia, the Pacific, the Middle East and the UK.

Valleyarm specialises in the digital distribution, publishing and online marketing of music and video content focused primarily on the sale of digital content and services within the Asia Pacific Region. Valleyarm incorporates a unique solution emphasising an "Asia-In" "Asia-Out" model providing digital music content distribution and sub-publishing services which enable Asian content owners to monetise content external from their homeland, and to provide an Asian gateway for Western acts and labels to monetise their content in non-traditional markets.

Since its inception, Valleyarm has continued to aggregate music content, and its catalogue now exceeds two million tracks spread across 8,000 labels, 20,000 artists and 300 digital stores worldwide, securing its position as a leading supplier of international content for digital distribution for the Asia Pacific Region.

On 1 June 2010, Valleyarm incorporated a Singapore based online media and publishing entity called Music Services Asia Pte Ltd ("Music Services Asia"), which is a wholly owned subsidiary of Valleyarm. Its directors are Angus Edgar, Gary Mackenzie and Foo Kok Wah.

4.2 Overview of Company Direction

Valleyarm will look to leverage their digital music sales in the Asia Pacific Region with a focus on South East Asia, Japan, Korea and China. The continuing expansion of a number of key global digital music retailers such as iTunes, Spotify and Deezer into Asia provides a timely opportunity for Valleyarm to increase significant sales growth of its catalogue. A number of marketing and business development initiatives around content acquisition throughout Asia will be high on the Company's agenda to grow its Asian content base and to seek to capitalise on digital sales growth in the region via the rapid expansion of online retailers, consumer take up of smartphones and purchases of music content and services.

Leveraging off its existing digital IP technologies developed in 2011 and 2012, Valleyarm will also look to increase its business and revenues in cloud content hosting and delivery services via its owned managed platform VMA, and to launch Digisingle across the Asia Pacific Region in 2013 (both of which are described further in section 4.2 below).

With the growth of the business, Valleyarm will also look to recruit a number of key senior executives to assist with expansion.

Valleyarm, through Music Services Asia (MSA), will leverage off its existing relationships with Google YouTube, Singtel and Juice Magazine to assist with growing the publishing of its online editorial music magazine and the on-line Music Business Directory described below to market and increase its subscriber base and drive online advertising sales, as well as utilising the publications to provide exclusive editorial content to market the Valleyarm catalogue and seek to drive digital music sales across the Asian region.

MSA has also seen significant growth in 2012 with its social media activity across all mediums including Facebook, Twitter and YouTube and is preparing to launch and publish digital music charts via its own technology platform and gathering of digital sales data. This will provide for a commercial marketing platform to obtain corporate sponsorships and build a digital vault of data creating a compelling CRM (customer relationship management) platform of consumers' music habits within South East Asia to offer back to brands and advertising for consumer profiling and omni-channel sales strategies.

4.2 IP and Key Business Relationships

Valleyarm has developed a web based technology referred to as the "VMA" (Valleyarm Members Area). It is a digital music distribution, royalty management and reporting platform which utilises cloud based technology to receive, package, ingest and deliver thousands of music audio and video releases to online retailers for music fans and consumer consumption accessing the company's content via mobile handset, or smart phone/portable pad devices via the web. The VMA automatically encodes content provided by music artists and labels, before releasing it for worldwide purchase, to ensure correct royalties are allocated using details contained within the metadata.

The VMA integrates with many online digital retailers including iTunes, Spotify, Microsoft, YouTube and Telstra BigPond, and enables Valleyarm customers to complete all steps of the distribution, encoding, delivery, reporting and payment via an online interface. In the future, the platform could also be utilised to cater for film and television content storage and delivery alongside music audio and video.

The VMA won the 2012 Victorian iAward in the category of Best New Media and Entertainment, then went on to win the 2012 Australian iAward in the same category.

Valleyarm has also developed Digisingle, a web based code platform technology which enables music or other content types to be connected to a unique download code. The technology is capable of building a powerful CRM (consumer relationship management) on consumer's choice of music, whereby data can then be gathered to profile customers in similar genres within fashion and other consumer habits by bundling music with brand sales and promotion campaigns via a unique QR code. Data collection from users, lower cost of production in comparison with CDs, and availability as alternative to CDs, have been key selling points in Digisingle technology sales and for generating industry interest.

Music Services Asia developed a number of digital technologies and platforms, including South East Asia's first online weekly music publication, which is the leading source of digital and music industry news, reviews and interviews for South East Asia. This publication is titled MusicWeekly, and is 100% owned by Music Services Asia and distributed via Valleyarm's strategic partnerships with Singtel and Juice Magazine.

Music Services Asia also launched Asia's first online Music Industry Business Directory, www.musicmattersconnects.com, which is a networking platform with over 5,000 listed businesses across 130 categories, across more than 20 Asian countries. The www.musicmattersconnects.com platform is owned 51% by Music Services Asia, and the remainder by Branded Limited, a Hong Kong based media and entertainment brand marketing agency.

Top ten online retailers:

- Telstra BigPond, Australia
- Google YouTube, Worldwide
- Amazon, Worldwide
- Apple iTunes, Worldwide
- Nokia, Worldwide
- Deezer, Worldwide
- Believe, Europe
- Boundee, Japan
- Spotify, Worldwide
- Microsoft, Worldwide

Top ten music labels:

- Snapper / Peacville Records, artists including Jerry Lee Lewis, Elvis Presley, Pink Floyd, W.A.S.P., Happy Mondays, 3 Colours Red, Fleetwood Mac and Amen
- Eleven, with a roster including The Dissociatives, Goyte, Kisschasy, Little Birdy, Missy Higgins, Paul Mac & Silverchair and Birds of Tokyo
- Believe Digital, the leading digital distributor and services provider for independent artists & labels in Europe with a catalogue exceeding two million tracks
- Kontor, one of the most successful electronic music labels in Europe. Well-known artists include Tiësto and Scooter with their catalogue exceeding 1 million tracks
- Earache Records, one of the world's leading heavy music labels
- PT Musica Studios, Indonesia's leading label representing a 55% market share across its group of labels
- Topline – Thailand's leading traditional music label
- Newmarket, Australia's leading Jazz/Blues distributor and catalogue
- Pyramedia, a leading Arabic Music Label
- Procera, the leading label from the Pacific Islands

4.4 Board of Directors

Mr Gary Mackenzie

Mr Mackenzie had a diverse background in telecommunications, digital music as well as sales and marketing, and is a music industry veteran of over 25 years. Previous roles include CEO of AmpHead Music, once Australasian partner of The Orchard.

Mr Angus Edgar

Mr Edgar has been employed in the finance/stockbroking industry for 27 years since 1985 with the majority of that time employed with various share broking companies. During that period he has been directly involved with providing corporate advisory services to private and ASX listed companies and the listing of several new companies onto the ASX.

Mr Adrien Wing

Mr Wing is CPA qualified. He practiced in the audit and corporate divisions of a chartered accounting firm before working with a number of public companies listed on the Australian Stock Exchange as a corporate/accounting consultant and company secretary.

5. WHAT IS THE NATURE OF THE RISKS INVOLVED IN INVESTING IN VALLEYARM SECURITIES (SHARES)?

The Valleyarm shares offered under this Offer Information Statement should be considered to be speculative. The future profitability of Valleyarm will be dependent upon the successful commercial exploitation of its business and operations. You should read the whole of this Offer Information Statement in order to fully appreciate the risks involved in investing in Valleyarm and the manner in which Valleyarm intends to operate before you make any decision to subscribe for Valleyarm shares. Neither Valleyarm nor its directors nor any of its professional advisers give any form of guarantee on future dividends or return on capital.

There are a number of risk factors that could potentially impact upon the future operating and financial performance of Valleyarm and the achievement of its objectives. These risks are both specific to Valleyarm and relate to the general technical, business and economic climate in which Valleyarm will operate. Some risks are at least partially within the control of Valleyarm, while others are clearly outside the control of Valleyarm.

The following is a summary of some of the material risks and matters you should consider before accepting the Offer and applying for Valleyarm shares. However, this summary is not exhaustive and you should examine the contents of this Offer Information Statement in its entirety and consult your professional advisors before deciding whether to apply for the shares.

Material Uncertainty Regarding Continuation as a Going Concern - Valleyarm has not achieved profitability or positive cash flows in its start up phase due to the business development, investment in technologies and acquisition of content. The audited accounts for the year ending 30 June 2012 which are included in Section 6 of this Offer Information Statement include a statement in the audit report drawing attention to note 2 of the financial report which indicates that Valleyarm and its subsidiaries incurred a total comprehensive loss and incurred negative cash flows from operations during the year and that current liabilities exceeded current assets as at 30 June 2012. The audit report identifies material uncertainty which may cast significant doubt about the ability of Valleyarm and its subsidiaries to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business. Since 30 June 2012 Valleyarm and its subsidiaries have incurred further losses and negative cash flows. When Valleyarm cease to be a subsidiary of Transol as a result of the Offer, Valleyarm will no longer receive financial support from Transol as a member of the Transol consolidated group and will be reliant upon its own funds or sources of funds it can secure (if any). Valleyarm is unable, on the basis of its past results, to forecast or project that revenue, profits or results will be achieved at any particular level, in a specified timeframe, or at all.

There can be no certainty that Valleyarm and its subsidiaries will have sufficient resources from capital sought to be raised by this Offer Information Statement, revenue or further capital raising or other sources of funds be able to continue their businesses, and investors in Valleyarm may suffer the loss of their entire investment.

Operating Losses: If Valleyarm it is not able to generate profits and become cash positive it will require further capital investment or funds (such as loans) from other sources if it is to continue its operations. There is no guarantee that Valleyarm will generate any particular level of income or that it would be able to raise or obtain funds.

Liquidity of Shares: Valleyarm is not a listed entity and therefore the shares offered under this Offer Information Statement are not able to be publicly traded. While Valleyarm shareholders may transfer Valleyarm shares to third-parties pursuant to the terms of the Valleyarm constitution, it is unlikely that an active and liquid market will develop for the shares. Accordingly, an investment in shares under this Offer Information Statement should be viewed as an illiquid investment.

Future Capital Requirements: Any failure by Valleyarm to raise capital if and when needed could delay or suspend Valleyarm's business strategy and could have a material adverse effect on Valleyarm's activities. If Valleyarm is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer, there can be no assurances that Valleyarm will have sufficient capital resources to fund its business or that it will be able to obtain additional fundraising on terms acceptable to Valleyarm or at all. Any additional equity financing may be dilutive to Valleyarm shareholders and any debt financing, if available, may involve restrictive covenants which may limit Valleyarm's operations and business strategy.

Relationships with Distributors: Valleyarm relies upon relationships with a number of key distributors for the retail sale and distribution of is digital music catalogues. The deterioration of these key relationships or in the distributors' business may have a significant adverse impact on Valleyarm's financial performance.

Key person: Valleyarm and its business are heavily reliant upon the Managing Director, Mr Gary Mackenzie. Mr Mackenzie may not be able to be readily replaced and the loss of Mr Mackenzie for any reason could be expected to severely affect the Company's business operations and relationships with distributors, suppliers and others.

Recoverability of receivables: Valleyarm has historically written off substantial receivables on the basis that a portion of its revenues come from artists within the music industry and being unable to recover these economically due to the large number of relatively small amounts (frequently less than approximately $200). Recently the rate of write offs has reduced significantly as the business has diversified its activities, however the business is exposed to the risk that a greater proportion of revenue generated than is usual for other businesses is unable to be recovered economically.

Technology and Competition: Valleyarm could be materially adversely affected by increased competition in the digital media market. Valleyarm's current and future potential competitors include companies with substantially greater resources to develop similar and competing products and/or provide cheaper or broader services. Additionally, the frequency and speed of technological change in the sector in which Valleyarm operates means that there is a risk of a third party product with alternative technology to the technology upon which Valleyarm's products and services are based being brought to market.

Dilution and Control: Prior to completion of the Offer Valleyarm will be a wholly owned subsidiary of Transol and Transol shareholders will have an indirect interest in Valleyarm and its business equal to their percentage shareholding in Transol. Upon completion of the Offer, Transol will cease to hold any interest in Valleyarm. Accordingly, if you do not accept your entitlement under the Offer you will upon completion of the Offer cease to hold any interest (directly or indirectly) in Valleyarm or its business. If you only accept your entitlement under the Offer in part your percentage interest in Valleyarm and its business may (subject to the level of acceptances received from Eligible Shareholders) be less than the interest which you held prior to the Offer indirectly through your Transol shareholding. Furthermore, as set out in section 3.9, subject to the level of acceptances received from Eligible Shareholders the Offer may result in entities associated with Mr Angus Edgar, a director of Transol, significantly increasing their voting power to above 50% at which point Mr Edgar (in conjunction with his associates) will control Valleyarm.

General Economic Conditions: Changes in the general economic climate in which Valleyarm operates may adversely affect the development activities of Valleyarm. Factors that may contribute to that economic climate include the general level of economic activity, interest rates, exchange rates, inflation and other economic factors.

6. AUDITED FINANCIAL REPORT TO 30 JUNE 2012 AND UNAUDITED PRO-FORMA STATEMENT OF FINANCIAL POSITION

6.1 AUDITED FINANCIAL REPORT TO 30 JUNE 2012

Valleyarm Digital Ltd

ACN 143 359 468

Annual Report - 30 June 2012

Valleyarm Digital Ltd
Contents
30 June 2012

Contents

Valleyarm Digital Ltd
Corporate directory
30 June 2012

Directors	Angus Edgar Gary MacKenzie Adrien Wing
Company secretary	Adrien Wing
Registered office	Level 14 31 Queen Street Melbourne VIC 3000
Principal place of business	Suite 1.02, Level 1 71 Queens Road Melbourne VIC 3000
Auditor	Bentleys Level 7 114 William Street Melbourne VIC 3000
Website	www.valleyarm.com

Valleyarm Digital Ltd
Directors' report
30 June 2012

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Valleyarm Digital Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2012.

Directors
The following persons were directors of Valleyarm Digital Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Angus Edgar
Gary MacKenzie (appointed 08 May 2012)
Adrien Wing (appointed 26 November 2012)

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of developings its digital music business.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $310,440 (30 June 2011: $597,384).

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
On 30 November 2012, the company changed its status to a public company and changed its name from Valleyarm Digital Pty Ltd to Valleyarm Digital Ltd.

The company has entered into a new 5 year lease agreement in relation to its Queens Road office which commenced on 1 September 2012. The annual rental is $36,183 subject to a fixed increase at 3% per annum.

On 30 November 2012, the loan payable to Transol Corporation Limited of $851,678 was formally forgiven. The resulting income from this loan forgiveness will be presented in the statement of comprehensive income for the year ending 30 June 2013.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Meetings of directors
There were no meetings of directors held during the year ended 30 June 2012.

Shares under option
There were no unissued ordinary shares of Valleyarm Digital Ltd under option outstanding at the date of this report.

Valleyarm Digital Ltd
Directors' report
30 June 2012

Shares issued on the exercise of options
There were no shares of Valleyarm Digital Ltd issued on the exercise of options during the year ended 30 June 2012 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Angus Edgar
Director

30 November 2012
Melbourne

Bentleys
THINKING AHEAD

Bentleys Melbourne Partnership

Audit & Assurance Services

Level 7, 114 William Street
Melbourne Vic 3000
Australia

GPO Box 2266
Melbourne Vic 3001
Australia

ABN 47 075 804 075

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

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

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF VALLEYARM DIGITAL LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

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

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

Bentleys

James Ridley

BENTLEYS MELBOURNE PARTNERSHIP
CHARTERED ACCOUNTANTS

JAMES RIDLEY
PARTNER

Dated in Melbourne on this 30th day of November 2012.

Valleyarm Digital Ltd
Statement of comprehensive income
For the year ended 30 June 2012

	Note	Consolidated 2012 $	2011 $
Revenue	4	1,453,194	861,265
Expenses			
Royalties paid		(298,870)	(143,483)
Administration expense		(113,085)	(161,016)
Employee benefits expense		(351,776)	(55,472)
Marketing and promotion expense		(171,082)	(112,863)
Depreciation and amortisation expense		(629)	-
Rents and rates		(54,318)	(35,866)
Management fees		(74,825)	(50,528)
Legal and professional fees		(108,275)	(43,417)
Impairment of receivables		(65,817)	(207,277)
Consulting fees		(443,810)	(535,400)
Other expenses		(80,081)	(113,326)
Finance costs		(1,066)	(1)
Loss before income tax expense		(310,440)	(597,384)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the owners of Valleyarm Digital Ltd		(310,440)	(597,384)
Other comprehensive income			
Foreign currency translation		(2,220)	-
Other comprehensive income for the year, net of tax		(2,220)	-
Total comprehensive income for the year attributable to the owners of Valleyarm Digital Ltd		(312,660)	(597,384)

Valleyarm Digital Ltd
Statement of financial position
As at 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Assets			
Current assets			
Cash and cash equivalents	6	13,558	272
Trade and other receivables	7	205,185	27,465
Other	8	43,737	52,362
Total current assets		262,480	80,099
Non-current assets			
Property, plant and equipment	9	1,673	-
Total non-current assets		1,673	-
Total assets		264,153	80,099
Liabilities			
Current liabilities			
Trade and other payables	10	476,670	135,722
Borrowings	11	800,186	655,420
Employee benefits	12	11,000	-
Total current liabilities		1,287,856	791,142
Total liabilities		1,287,856	791,142
Net liabilities		(1,023,703)	(711,043)
Equity			
Issued capital	13	100	100
Reserves	14	(2,220)	-
Accumulated losses		(1,021,583)	(711,143)
Total deficiency in equity		(1,023,703)	(711,043)

Valleyarm Digital Ltd
Statement of changes in equity
For the year ended 30 June 2012

	Issued capital $	Reserves $	Retained profits $	Total equity $
Consolidated				
Balance at 1 July 2010	100	-	(113,759)	(113,659)
Loss after income tax expense for the year	-	-	(597,384)	(597,384)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(597,384)	(597,384)
Balance at 30 June 2011	100	-	(711,143)	(711,043)

	Issued capital $	Reserves $	Retained profits $	Total equity $
Consolidated				
Balance at 1 July 2011	100	-	(711,143)	(711,043)
Loss after income tax expense for the year	-	-	(310,440)	(310,440)
Other comprehensive income for the year, net of tax	-	(2,220)	-	(2,220)
Total comprehensive income for the year	-	(2,220)	(310,440)	(312,660)
Balance at 30 June 2012	100	(2,220)	(1,021,583)	(1,023,703)

Valleyarm Digital Ltd
Statement of cash flows
For the year ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Cash flows from operating activities			
Receipts from customers		1,230,315	645,889
Payments to suppliers and employees		(1,361,066)	(1,209,051)
Interest received		239	221
Interest and other finance costs paid		(1,066)	-
Refund of security deposits		2,400	-
Net cash used in operating activities	24	(129,178)	(562,941)
Cash flows from investing activities			
Payments for property, plant and equipment	9	(2,302)	-
Net cash used in investing activities		(2,302)	-
Cash flows from financing activities			
Proceeds from borrowings from parent entity		149,671	554,045
Net cash from financing activities		149,671	554,045
Net increase/(decrease) in cash and cash equivalents		18,191	(8,896)
Cash and cash equivalents at the beginning of the financial year		(4,633)	4,263
Cash and cash equivalents at the end of the financial year	6	13,558	(4,633)

Valleyarm Digital Ltd
Notes to the financial statements
30 June 2012

Note 1. General information

The financial report covers Valleyarm Digital Ltd as a consolidated entity consisting of Valleyarm Digital Ltd and the entities it controlled. The financial report is presented in Australian dollars, which is Valleyarm Digital Ltd's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Valleyarm Digital Ltd is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	*Principal place of business*
Level 14	Suite 1.02, Level 1
31 Queen Street	71 Queens Road
Melbourne VIC 3000	Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 30 November 2012. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
The consolidated entity has applied AASB 2010-4 amendments from 1 July 2011. The amendments made numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provided clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments; clarified that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provided guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'.

AASB 2010-5 Amendments to Australian Accounting Standards
The consolidated entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

Note 2. Significant accounting policies (continued)

AASB 124 Related Party Disclosures (December 2009)
The consolidated entity has applied AASB 124 (revised) from 1 July 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

AASB 1054 Australian Additional Disclosures
The consolidated entity has applied AASB 1054 from 1 July 2011. The standard sets out the Australian-specific disclosures as a result of Phase I of the Trans-Tasman Convergence Project, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project
The consolidated entity has applied AASB 2011-1 amendments from 1 July 2011. These amendments made changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments removed certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.

Going concern
As 30 June 2012 the consolidated entity had a net asset deficiency of $1,023,703 (2011 : $711,403). Notwithstanding this fact the directors believe that going concern assumptions is appropriate to these financial statements for the following reasons:-

On 30th November 2012 the directors of Transol Corporation Limited formally forgave the loan receivable from Valleyarm Digital Ltd for $800,186.

Valleyarm Digital Ltd is in the process of issuing an OIS for the purposes of raising up to $318,000 as disclosed to the ASX on 30th October 2012.

Valleyarm Digital Ltd's existing parent, Transol Corporation Limited, has undertaken to provide support for any liabilities in existence at the date of signing of the financial report that are not extinguished through the capital raising process.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 21.

Valleyarm Digital Ltd
Notes to the financial statements
30 June 2012

Note 2. Significant accounting policies (continued)

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Valleyarm Digital Ltd ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Valleyarm Digital Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation
The financial report is presented in Australian dollars, which is Valleyarm Digital Ltd's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximates the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services
Revenue is recognised as sales of digital content are made from the Valleyarm Digital website or the royalty for the sale of digital content on distribution platforms maintained by other entities.

Valleyarm Digital Ltd
Notes to the financial statements
30 June 2012

Note 2. Significant accounting policies (continued)

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Grant revenue
Grant revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Note 2. Significant accounting policies (continued)

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Computer equipment	2 - 4 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Employee benefits

Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Note 2. Significant accounting policies (continued)

Issued capital
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, net of tax, from the proceeds.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2012. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

Valleyarm Digital Ltd
Notes to the financial statements
30 June 2012

Note 2. Significant accounting policies (continued)

AASB 10 Consolidated Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the consolidated entity.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Valleyarm Digital Ltd
Notes to the financial statements
30 June 2012

Note 4. Revenue

	Consolidated	
	2012	**2011**
	$	**$**
Sales revenue		
Digital music sales	1,396,034	861,044
Other revenue		
Interest	239	221
Grant income	56,921	-
	57,160	221
Revenue	1,453,194	861,265

Note 5. Income tax expense

	Consolidated	
	2012	**2011**
	$	**$**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(310,440)	(597,384)
Tax at the statutory tax rate of 30%	(93,132)	(179,215)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Add other non allowable items	61,470	70,461
Less other allowable items	(13,680)	(15,750)
Add tax losses not bought to account	45,342	124,504
Income tax expense	-	-

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	2012	**2011**
	$	**$**
Cash at bank	13,558	272
Reconciliation to cash and cash equivalents at the end of the financial year		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	13,558	272
Bank overdraft (note 11)	-	(4,905)
Balance as per statement of cash flows	13,558	(4,633)

Valleyarm Digital Ltd
Notes to the financial statements
30 June 2012

Note 7. Current assets - trade and other receivables

	Consolidated 2012 $	Consolidated 2011 $
Trade receivables	346,809	227,577
Less: Provision for impairment of receivables	(238,282)	(207,277)
	108,527	20,300
Other receivables	24,604	5,210
Royalties receivable	68,595	-
BAS receivable	3,459	1,955
	205,185	27,465

Impairment of receivables
The consolidated entity has recognised a loss of $81,435 (2011: $207,277) in profit or loss in respect of impairment of receivables.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated 2012 $	Consolidated 2011 $
Over 6 months overdue	238,282	207,277

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2012 $	Consolidated 2011 $
Opening balance	207,277	-
Additional provisions recognised	65,817	207,277
Amounts received in relation to previously impaired	(34,812)	-
Closing balance	238,282	207,277

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $75,398 as at 30 June 2012 ($20,300 as at 30 June 2011).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated 2012 $	Consolidated 2011 $
0 to 3 months overdue	65,913	20,300
3 to 6 months overdue	9,485	-
	75,398	20,300

Valleyarm Digital Ltd
Notes to the financial statements
30 June 2012

Note 8. Current assets - other

	Consolidated	
	2012	**2011**
	$	**$**
Prepayments	39,775	46,000
Security deposits	3,962	6,362
	43,737	52,362

Note 9. Non-current assets - property, plant and equipment

	Consolidated	
	2012	**2011**
	$	**$**
Computer equipment - at cost	2,302	-
Less: Accumulated depreciation	(629)	-
	1,673	-
	1,673	-

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Computer Equipment $	Total $
Consolidated		
Balance at 1 July 2010	-	-
Balance at 30 June 2011	-	-
Additions	2,302	2,302
Depreciation expense	(629)	(629)
Balance at 30 June 2012	1,673	1,673

Note 10. Current liabilities - trade and other payables

	Consolidated	
	2012	**2011**
	$	**$**
Trade payables	305,339	129,315
Royalties payable	62,395	-
Other payables	108,936	6,407
	476,670	135,722

Refer to note 16 for further information on financial instruments.

Valleyarm Digital Ltd
Notes to the financial statements
30 June 2012

Note 11. Current liabilities - borrowings

	Consolidated 2012 $	Consolidated 2011 $
Bank overdraft	-	4,905
Loan from parent entity	800,186	650,515
	800,186	655,420

The loan from the parent entity was forgiven on 30 November 2012, refer to Note 23 for further details.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2012 $	Consolidated 2011 $
Total facilities		
Bank overdraft	5,000	5,000
Used at the reporting date		
Bank overdraft	-	4,905
Unused at the reporting date		
Bank overdraft	5,000	95

Note 12. Current liabilities - employee benefits

	Consolidated 2012 $	Consolidated 2011 $
Annual leave	11,000	-

Note 13. Equity - issued capital

	Consolidated 2012 Shares	Consolidated 2011 Shares	Consolidated 2012 $	Consolidated 2011 $
Ordinary shares - fully paid	100	100	100	100

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

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

Valleyarm Digital Ltd
Notes to the financial statements
30 June 2012

Note 14. Equity - reserves

	Consolidated 2012 $	Consolidated 2011 $
Foreign currency reserve	(2,220)	-

	Foreign currency $	Total $
Consolidated		
Balance at 1 July 2010	-	-
Balance at 30 June 2011	-	-
Foreign currency translation	(2,220)	(2,220)
Balance at 30 June 2012	(2,220)	(2,220)

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Note 15. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 16. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Valleyarm Digital Ltd
Notes to the financial statements
30 June 2012

Note 16. Financial instruments (continued)

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2012	2011	2012	2011
	$	$	$	$
Consolidated				
Singapore Dollars	33,808	-	295,960	-

Consolidated - 2012	AUD strengthened			AUD weakened		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Singapore Dollars	10%	-	26,215	10%	-	(26,215)

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
The consolidated entity is not exposed to any material interest rate risk.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

As at 30 June 2012, the total value of receivables past due and not impaired was $89,380 (2011 : $20,300). A provision for impairment of $238,282 (2011 : $ 207,277) has been recognised in relation to trade receivables.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2012	2011
	$	$
Bank overdraft	5,000	95

Valleyarm Digital Ltd
Notes to the financial statements
30 June 2012

Note 16. Financial instruments (continued)

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Related party transactions
Related party transactions are set out in note 20.

Note 17. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Bentleys, the auditor of the company:

	Consolidated 2012 $	Consolidated 2011 $
Audit services - Bentleys		
Audit or review of the financial statements	5,850	-

Note 18. Contingent liabilities

The consolidated entity had no contingent liabilities at 30 June 2012 and 30 June 2011.

Note 19. Commitments

	Consolidated 2012 $	Consolidated 2011 $
Lease operating commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	4,800

The above commitment relates to the consolidated entity's lease on its office in Brisbane.

Note 20. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 22.

Valleyarm Digital Ltd
Notes to the financial statements
30 June 2012

Note 20. Related party transactions (continued)

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2012	2011
	$	$
Current payables:		
Managing Director and CEO services provided by Gary MacKenzie	61,400	6,250

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

Loan payable to Transol Corporation Limited, holding entity of Valleyarm Digital Ltd	800,186	650,515

Refer to Note 23 for details on the forgiveness of the above loan balance.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 21. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent	
	2012	2011
	$	$
Loss after income tax	(54,724)	(590,884)
Total comprehensive income	(54,724)	(590,884)

Valleyarm Digital Ltd
Notes to the financial statements
30 June 2012

Note 21. Parent entity information (continued)

Statement of financial position

	Parent 2012 $	Parent 2011 $
Total current assets	242,654	80,099
Total assets	525,856	86,599
Total current liabilities	1,285,123	791,142
Total liabilities	1,285,123	791,142
Equity		
Issued capital	100	100
Accumulated losses	(759,367)	(704,643)
Total deficiency in equity	(759,267)	(704,543)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2012 and 30 June 2011.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2012 and 30 June 2011.

Capital commitments - Property, plant and equipment
Refer to Note 19 for details of commitments, all disclosed commitments relate to the parent entity.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 22. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2:

Name of entity	**Country of incorporation**	**Equity holding 2012 %**	**Equity holding 2011 %**
Music Services Asia Pte Ltd	Singapore	100	100

Note 23. Events after the reporting period

On 30 November 2012, the company changed its status to a public company and changed its name from Valleyarm Digital Pty Ltd to Valleyarm Digital Ltd.

The company has entered into a new 5 year lease agreement in relation to its Queens Road office which commenced on 1 September 2012. The annual rental is $36,183 subject to a fixed increase at 3% per annum.

On 30 November 2012, the loan payable to Transol Corporation Limited of $851,678 was formally forgiven. The resulting income from this loan forgiveness will be presented in the statement of comprehensive income for the year ending 30 June 2013.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 24. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2012	**2011**
	$	**$**
Loss after income tax expense for the year	(310,440)	(597,384)
Adjustments for:		
Depreciation and amortisation	629	-
Impairment of receivables	65,817	207,277
Change in operating assets and liabilities:		
Increase in trade and other receivables	(245,757)	(260,398)
Decrease in other operating assets	8,625	-
Increase in trade and other payables	340,948	87,564
Increase in employee benefits	11,000	-
Net cash used in operating activities	(129,178)	(562,941)

Valleyarm Digital Ltd
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Angus Edgar
Director

30 November 2012
Melbourne

Bentleys
THINKING AHEAD

Bentleys Melbourne Partnership
Audit & Assurance Services
Level 7, 114 William Street
Melbourne Vic 3000
Australia
GPO Box 2266
Melbourne Vic 3001
Australia
ABN 47 075 804 075
T +61 3 9274 0600
F +61 3 9274 0736
audit@melb.bentleys.com.au
bentleys.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VALLEYARM DIGITAL LTD

Report on the Financial Report
We have audited the accompanying financial report of Valleyarm Digital Ltd and its controlled entity, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then 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 entity 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 company are responsible for the preparation 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 gives a true and fair view and 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*.

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 about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company'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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VALLEYARM DIGITAL LTD (Continued)

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*, which has been given to the directors of Valleyarm Digital Ltd on 30th November 2012, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion
In our opinion:

(a) the financial report of Valleyarm Digital Ltd is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Material Uncertainty Regarding Continuation as a Going Concern
Without qualifying our opinion, we draw attention to Note 2: Going Concern in the financial report which indicates that the consolidated entity incurred a total comprehensive loss and incurred negative cash flows from operations during the year ended 30 June 2012. In addition, the consolidated entity's current liabilities exceeded its current assets as at 30 June 2012. These conditions, along with other matters as set forth in Note 2: Going Concern, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business.

Bentleys	James Ridley
BENTLEYS MELBOURNE PARTNERSHIP	**JAMES RIDLEY**
CHARTERED ACCOUNTANTS	**PARTNER**

Dated in Melbourne on this 30th day of November 2012.

6.2 UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION

Basis of Preparation

The pro forma statement of financial position below has been prepared in accordance with the draft ASIC Guide to Disclosing Pro Forma Financial Information (issued July 2005).

The audited statement of financial position as at 30 June 2012 upon which the pro forma statement of financial position is based was prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The risks described in Section 5 note the material uncertainty which may cast significant doubt about the ability of Valleyarm and its subsidiaries to continue as a going concern and include the risk that the Company may not be able to continue its operations if it is unable to achieve profitability or positive cash flows, or if it unable to obtain funds from further capital raising or other sources if required.

The pro forma statement of financial position has been prepared to provide readers with information on the assets and liabilities of Valleyarm and pro-forma assets and liabilities of Valleyarm. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

The pro forma statement of financial position is based on the audited statement of financial position as at 30 June 2012 and has then been adjusted to reflect the pro-forma adjustments noted below the table.

	Consolidated (audited) **30-Jun-2012** **$**	***Management Accounts (unaudited)*** **31-Oct-12** **$**	***Pro forma (unaudited) minimum subscription**** **31-Oct-12** **$**	***Pro forma (unaudited) fully subscribed#*** **31-Oct-12** **$**
Assets				
Current Assets				
Cash and cash equivalents	13,558	16,563	86,563	304,563
Trade and other receivables	205,185	265,345	265,345	265,345
Other	43,737	74,128	74,128	74,128
Total current assets	262,480	356,036	426,036	644,036
Non-current Assets				
Property, plant and equipment	1,673	1,468	1,468	1,468
Total non-current assets	1,673	1,468	1,468	1,468
Total Assets	**264,153**	**357,504**	**427,504**	**645,504**
Liabilities				
Current Liabilities				
Trade and other payables	476,670	619,854	463,437	619,854
Borrowings	800,186	851,678		
Employee benefits	11,000	11,000	11,000	11,000
Total current liabilities	1,287,856	1,482,532	474,437	630,854
Total Liabilities	**1,287,856**	**1,482,532**	**474,437**	**630,854**
Net Liabilities	**(1,023,703)**	**(1,125,028)**	**(46,933)**	**14,650**
Equity				
Issued capital	100	100	70,100	288,100
Reserves	(2,220)	(3,523)	(3,523)	(3,523)
Accumulated losses	(1,021,583)	(1,121,605)	(113,510)	(269,927)
Total Deficiency in Equity	**(1,023,703)**	**(1,125,028)**	**(46,933)**	**14,650**

Pro-forma adjustments:

Forgiveness by Valleyarm's parent entity Transol of a loan of $851,678 and management fees of $156,417.

* At the minimum subscription level: the issue of 10,000,000 shares at $0.01 each to raise $100,000, less payment of costs of the offer totalling $30,000 as a deduction against equity.

At the maximum subscription level: the issue of 318,000,000 shares at $0.01 each to raise $318,000, less payment of costs of the offer totalling $30,000 as a deduction against equity

7. ACCEPTING THE OFFER

7.1 How do I accept the Offer?

To accept the Offer of Valleyarm shares you must complete the Entitlement and Acceptance Form attached to this Offer Information Statement and return it to the address set out below with a cheque payable to "Valleyarm Digital Limited" before 5:00pm, Melbourne time on the Closing Date.

Acceptances under the Offer may be made, and will only be accepted on the relevant Entitlement and Acceptance Form accompanying this Offer Information Statement, or by payment by BPAY®[1] as described below.

Unless payment is made by BPAY, acceptances must be accompanied by a bank cheque, personal cheque or company cheque (crossed "not negotiable"), or a bank draft payable in Australian dollars, payable to "Valleyarm Digital Ltd" drawn on an Australian branch of an Australian registered bank for an amount equal to the subscription sum (being the number of Valleyarm shares you are applying for multiplied by 1 cent ($0.01) per share). Unless specifically arranged, other than for payments by BPAY there is no facility for electronic payment or direct debit.

The Offer is not transferable and may only be accepted by Eligible Shareholders. The directors of Valleyarm reserve the right to reject any application where the applicant's name on the Entitlement and Acceptance Form has been altered.

Unless payment is made by BPAY, to accept the Offer you should return your completed Entitlement and Acceptance Form to:

If delivered:	If by mail:
Security Transfer Registrars Pty Ltd 770 Canning Highway APPLECROSS WA 6153	Security Transfer Registrars Pty Ltd PO Box 535 APPLECROSS WA 6953

by no later than 5:00pm Melbourne time on the Closing Date. Acceptances returned by mail must be received by last mail on the Closing Date.

Regardless of how they are lodged, all acceptances must be received no later than 5:00pm Melbourne time on the Closing Date, unless the timing is varied. Detailed instructions on how to complete the Entitlement and Acceptance Forms are set out in that form. You are not required to sign the Entitlement and Acceptance Form. Valleyarm reserves the right to reject any acceptance (including where an Entitlement and Acceptance Form has not been correctly completed), complete or amend the Entitlement or Acceptance Form (other than to increase the number of Valleyarm shares applied for or amend the amount paid or monies received by the applicant) or allocate any person fewer Valleyarm shares than that person applied for without prior notice and independently of other parts of the Offer.

Valleyarm may reject an acceptance where payment of the application monies is not received or a cheque is not honoured, or without prejudice to its rights, issue Valleyarm shares in response to the acceptance and recover outstanding application monies from the recipient.

[1] *® Registered to Bpay Pty Ltd ABN 69 079 137 518*

If paying by BPAY:

To apply and pay via BPAY, you should:

- read this Offer Information Statement and the Entitlement and Acceptance Form in their entirety and seek appropriate professional advice if necessary; and

- make your payment via BPAY for the number of shares you wish to subscribe for (being the offer price of 1 cents ($0.01) per share multiplied by the number of shares you are applying for) so that it is received no later than 5:00pm (Melbourne time) on the Closing Date, or such later date as the Company may specify. You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution.

If you choose to pay via BPAY you are not required to submit the Entitlement and Acceptance Form.

If your BPAY payment is received by 5:00pm (Melbourne time) on the Closing Date or such later date as the Company may specify, shares up to the payment amount received are anticipated to be allotted to you on the despatch date (as set out in the timetable on page 4 of this Offer Information Statement, which date may change without notice). Receipt of shortfall shares for which payment is received is dependent upon shortfall shares being available and a determination by the directors to issue the shortfall shares. Any payment made by BPAY for an amount greater than the amount of your entitlement under the Offer, will be taken to amount to an application for shortfall shares for the total of that additional amount.

Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY. It is your responsibility to check that the amount you wish to pay via BPAY does not exceed your limit.

If you have multiple holdings you will have multiple BPAY reference numbers. To ensure that you receive your entitlement in respect of each holding, you must use the customer reference number shown on each personalised Entitlement and Acceptance Form when paying for any shares that you wish to apply for in respect of that holding.

7.2 How long do I have to accept the Offer?

The Offer will remain open until 5:00pm Melbourne time on the Closing Date, subject to the right of the directors, in consultation with the Underwriter, to extend the Closing Date without prior notice. Acceptance must be sent in time to be received prior to the Closing Date and Valleyarm accepts no responsibility for lost or delayed Entitlement and Acceptance Forms or delayed or unsuccessful BPAY payments. The directors may, in their discretion, accept or reject Entitlement and Acceptance Forms or payments received after the Closing Date.

7.3 When will I receive my Shares?

The allotment and issue of shares to accepting Shareholders will occur as soon as practicable after the Closing Date, after which statements of shareholding will be dispatched. You are encouraged to submit your Entitlement and Acceptance Form or make payment via BPAY as early as possible.

It is your responsibility to determine your allocation prior to dealing in Valleyarm shares. If you sell or otherwise deal with your Valleyarm shares before you receive your statement of shareholding you will do so at your own risk.

All application monies received with acceptances of the Offer will be held in trust by Valleyarm, as provided for in the Corporations Act, until the allocations are determined or application monies are returned as provided for above. All interest on application monies held in trust shall accrue to Valleyarm. If your application is not accepted, or is accepted in part only, or if application monies are to be returned for any reason, the relevant part of your application monies will be refunded without interest.

7.4 New Zealand Regulatory Requirements

The Offer to New Zealand investors is a regulated offer made under Australian and New Zealand Law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings - Australia) Regulations 2008. The Offer and the content of the offer document (this Offer Information Statement) are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the Offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you receive the Offer in New Zealand and need to make a complaint about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain as to whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial advisor.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

The securities are not able to be traded or intended upon being issued to be able to be traded on a financial market. If the securities were able to be traded on a financial market and you wished to trade the securities through that market, you would have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market did not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from markets that operate in New Zealand.

7.5 Accepting Shareholders Outside Australia and New Zealand

This Offer Information Statement does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, under the laws of the jurisdiction in which that person resides it not be lawful to issue the Offer Information Statement. It is the responsibility of any applicant outside Australia or New Zealand to ensure compliance with all laws of any country relevant to their acceptance.

No action has been taken to register or qualify the shares or the Offer or otherwise to permit a public offering of the Valleyarm shares in any jurisdiction outside Australia or New Zealand. The Valleyarm shares have not been, and will not be, registered under the United States Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold within the United States of America.

8. WHAT ARE THE TERMS OF THE UNDERWRITING AGREEMENT?

The Offer is underwritten up to $100,000 by Serec Pty Ltd ("Serec"), an entity associated with Angus Edgar a director of Transol and Valleyarm.

Valleyarm has entered into an Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has agreed to underwrite the difference between subscriptions for Valleyarm shares received and $100,000 if the subscriptions received is less than $100,000. The maximum amount underwritten is $100,000. The amount underwritten by the Underwriter will not be affected by the issue of any new shares by Transol prior to the Record Date as a result of the exercise by shareholders of existing options. All acceptances will be applied for in relief of the Underwriter's obligations, accordingly if acceptances for greater than $100,000 are received the Underwriter will receive no shares as a result of its underwriting commitment. No fees, commissions or other amounts are payable to the Underwriter in connection with its agreement to underwrite the Offer.

The Underwriting Agreement is subject to the Underwriter being satisfied with the form of this Offer Information Statement and giving its consent to being named in this Offer Information Statement.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of any of the following specified events where, in the opinion of the Underwriter reached in good faith and acting reasonably, the event has or could have a material adverse effect on the Offer:

- **(Material Event)** Except in the case of a restructure to achieve objectives agreed with the Underwriter as necessary to facilitate the Offer, there is a material adverse change in the condition, management or financial position, business, operations or prospects of Valleyarm.

- **(Breach of Law)** There is a contravention by Valleyarm of any provision of Valleyarm's constitution or any other legislation of the Commonwealth of Australia or any State or Territory relating to the securities industry or taxation.

- **(Outbreak of Hostilities)** There is an outbreak of hostilities or new act of terrorism after the date of the Underwriting Agreement involving any of Australia, Japan, the United Kingdom, the United States of America, any member of the European Union, Afghanistan, Iraq, Iran, North Korea, Canada, Indonesia, any member of the Organisation of Petroleum Exporting Countries or any other country of the Middle East, People's Republic of China, Russia or other countries of the Commonwealth of Independent States which, in the reasonable opinion of the Underwriter, would have a material adverse effect on the Offer.

- **(Indices Fall)** Any of: (i) the Australian All Ordinaries Index; (ii) the S & P ASX 200; (iii) the Dow Jones Industrial Average; or (iv) the Nikkei Dow; close at values which are 5% of more below their closing values as at the date of the Underwriting Agreement on any two or more days (consecutive or non-consecutive) after the date of the Underwriting Agreement.

- **(Change in Act or Policy)** Any law being introduced into the Parliament of the Commonwealth of Australia or any of the legislatures of the States or Territories or any prospective law or other measure being passed or becoming effective, having the effect of restricting capital issue or company profits or imposing any excess profits tax or any other measure which, in the reasonable opinion of the Underwriter, is likely to have adverse effect on the success of the Offer, the underwriting of the Offer or the financial position or prospects of Valleyarm.

- **(Change in Fiscal Policy)** Any law or budget being introduced into the Parliament of the Commonwealth of Australia or any of the legislatures of the States or Territories or any prospective law or other measure being passed or becoming effective, or there being adopted by any government authority a major change in fiscal or monetary policy which, in the reasonable opinion of the Underwriter, is likely to have an adverse effect on the success of the Offer, the underwriting of the Offer or the financial position or prospects of Valleyarm.

- **(Insolvency Events)** Except in the case of a restructure to achieve objectives agreed with the Underwriter as necessary to facilitate the Offer, Valleyarm or any subsidiary: (i) are wound up, or suffer an act whereby any of them may be wound up; (ii) have proceedings bought against them which would materially impact upon or inhibit the relevant company carrying on its business; (iii) becomes externally administered (within the meaning of the Corporations Act).

- **(Failure to Comply with Statutory Demand)** Valleyarm or a subsidiary fails to comply with a valid statutory demand in accordance with the Corporations Act.

- **(Interest Rate Increase)** An increase in the interest rate for the issue of Australian Government or semi-Government securities by more than one and a half per cent above that prevailing on the date of signing of the Underwriting Agreement.

- **(Breach of Warranty)** There is any material breach of warranty given by Valleyarm to the Underwriter.

- **(Stop Order or Non-Compliance)** ASIC makes any stop order or gives notice of an intention to hold a hearing in relation to the Offer Information Statement, or concludes that the Offer Information Statement does not comply with the Corporations Act or any other applicable law.

- **(Verification)** In the opinion of the Underwriter, Valleyarm has not taken all necessary steps to satisfactorily complete its verification of the statements made in this Offer Information Statement and a review of any associated documentation.

The Underwriting Agreement also contains a number of indemnities and representations and warranties from Valleyarm to the Underwriter and other provisions of the kind commonly included in an agreement of this nature.

Serec is a related party of Transol and Valleyarm for the purposes of the Corporations Act 2001 (Cth), because it is an entity controlled by Mr Angus Edgar, a director of Transol and Valleyarm. To the extent that Serec may, for the purposes of the Corporations Act, receive a financial benefit through its agreement to underwrite the Offer up to $100,000 that benefit, being the issue of ordinary Valleyarm shares, is considered by Valleyarm to be on arm’s length commercial terms because Serec will receive Valleyarm shares on the same terms as those shares are offered to all other Transol shareholders under this Offer Information Statement. Furthermore, the directors consider that the underwriting is on better commercial terms (to Valleyarm) than a typical underwriting arrangement because no fee, commissions or other amounts is payable to Serec.

9. FURTHER ENQUIRIES REGARDING THE OFFER

This Offer Information Statement provides information in respect of a potential investment in Valleyarm and should be read in its entirety. If you have any questions regarding the content of this Offer Information Statement or how to complete the Entitlement and Acceptance Form, please contact your stockbroker, accountant, lawyer or independent financial advisor.

10. CONSENTS AND AUTHORISATION FOR LODGEMENT

Serec Pty Ltd has given, and at the time of lodgement of this Offer Information Statement, has not withdrawn its consent to be named as Underwriter of the Offer of securities under this Offer Information Statement, in the form and context in which it is named. Serec Pty Ltd was not involved in the preparation of any part of this Offer Information Statement and did not authorise or cause the issue of this Offer Information Statement. Serec Pty Ltd makes no express or implied representation or warranty in relation to the Company, the Offer Information Statement or the Offer and does not make any statement in this Offer Information Statement, nor is any statement in it based on any statement made by Serec Pty Ltd. To the maximum extent permitted by law, Serec Pty Ltd expressly disclaims and takes no responsibility for any material in, or omission from, this Offer Information Statement other than the reference to its name.

Security Transfer Registrars Pty Ltd has given, and at the time of lodgement of this Offer Information Statement, has not withdrawn its consent to be named as share registrar in the form and context in which it is named. Security Transfer Registrars Pty Ltd was not involved in the preparation of any part of this Offer Information Statement and did not authorise or cause the issue of this Offer Information Statement. Security Transfer Registrars Pty Ltd makes no express or implied representation or warranty in relation to the Company, the Offer Information Statement or the Offer and does not make any statement in this Offer Information Statement, nor is any statement in it based on any statement made by Security Transfer Registrars Pty Ltd. To the maximum extent permitted by law, Security Transfer Registrars Pty Ltd expressly disclaims and takes no responsibility for any material in, or omission from, this Offer Information Statement other than the reference to its name.

Goodman Tavendale Reid Limited has given, and at the time of lodgement of this Offer Information Statement, has not withdrawn its consent to be named as New Zealand agent to the Offer of securities under this Offer Information Statement, in the form and context in which it is named. Goodman Tavendale Reid Limited was not involved in the preparation of any part of this Offer Information Statement and did not authorise or cause the issue of this Offer Information Statement. Goodman Tavendale Reid Limited makes no express or implied representation or warranty in relation to the Company, the Offer Information Statement or the Offer and does not make any statement in this Offer Information Statement, nor is any statement in it based on any statement made by Goodman Tavendale Reid Limited. To the maximum extent permitted by law, Goodman Tavendale Reid Limited expressly disclaims and takes no responsibility for any material in, or omission from, this Offer Information Statement other than the reference to its name.

The directors of Valleyarm Digital Limited have authorised the lodgement of this Offer Information Statement with ASIC.

Angus Edgar
Director

ENTITLEMENT AND ACCEPTANCE APPLICATION FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

VALLEYARM DIGITAL LIMITED

ACN: 143 359 568

REGISTERED OFFICE:
Level 14, 31 Queen Street
MELBOURNE , VICTORIA , 3000
AUSTRALIA

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code:

Holder Number:

Eligible Holding as at 5.00pm AEST on 17th December 2012:

Entitlement to Securities 1:10:

Amount payable on acceptance @ $0.[illegible] per Security:

NON-RENOUNCEABLE SHARE OFFER CLOSING AT 5.00PM AES[illegible]N 24th January 2012

(1) I/We the above named being registered at 5.00pm AEST on the 17th December 2012 as holder(s) of Ordinary Shares [illegible] Trans[illegible]rporation Limited (ACN 089 224 402) ("Transol") hereby accept and apply for undermentioned Valleyarm Digital Limited ("Valleyarm") shares as follows:

	NUMBER OF NEW SHARES ACCEPTED/APPLIED FOR	A[illegible]UNT ENCLOSED [illegible] $0.01 PER SHARE
Entitlement or Part Thereof	, ,	$, , .
Additional New Shares *	, ,	$, , .
TOTAL	, ,	[illegible]TAL $, , .

(* refer to sections Sections 3.6 & 7 of the Offer Information Statement)

(2) I/We have enclosed/made payment for amount shown above (following [illegible]ions as detailed overleaf).
(3) I/We hereby authorise you to place my/our name(s) on the [illegible]egister of memb[illegible]respe[illegible] the number of New Securities allotted to me/us.
(4) I/We agree to be bound by the Constitution of the Comp[illegible]
(5) I/We understand that if any information on this form is no[illegible]ectly, or [illegible] accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept this form, and how to co[illegible], ame[illegible]plete it shall be final.
(6) I/We authorise the Company to send me/us a [illegible]bstituted fo[illegible] ce[illegible]s to be current.
(7) I/We declare that I/we have received a full a[illegible]altered vers[illegible] Offer Information Statement either in an electronic or paper format.
(8) My/Our contact details in case of enquiries ar[illegible]

NAME

TELEPHONE NUMBER

( )

EMAIL ADDRESS

@

BPAY PAYMENT OR THE RETURN OF THIS DOCUMENT WITH THE REQUIRED REMITTANCE WILL CONSTITUTE YOUR ACCEPTANCE OF THE OFFER.

PAYMENT INFORMATION - Please also refer to payment instructions overleaf.

Biller Code: 159483

Ref:

BPAY® this payment via internet or phone banking.
Your **BPAY®** reference number is unique to this offer and is not to be used for any other offer.

CHEQUE/MONEY ORDER

All cheques (expressed in Australian currency) are to be made payable to **VALLEYARM DIGITAL LIMITED** and crossed "Not Negotiable".

REGISTRY DATE STAMP

E & O.E.

7990092848

LODGEMENT INSTRUCTIONS

PAYMENT INSTRUCTIONS

Biller Code: 159483

BPAY® this payment via internet or phone banking.
Your reference number is quoted on the front of this form.

Multiple acceptances must be paid separately.

Applicants should be aware of their financial institution's cut-off time (the time payment must be made to be processed overnight) and ensure payment is processed by their financial institution on or before the day prior to the closing date of the offer. BPAY applications will only be regarded as accepted if payment is received by the registry from your financial institution on or prior to the closing date. It is the Applicant's responsibility to ensure funds are submitted correctly by the closing date and time.

You do not need to return this form if you have made payment via BPAY.

Your BPAY reference number will process your payment to your entitlement electronically and you will be deemed to have applied for such Securities for which you have paid.

CHEQUE/MONEY ORDER

All cheques should be drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable".

Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid.

Do not forward cash as receipts will not be issued.

When completed, this form together with the appropriate payment should be forwarded to the share registry:

Security Transfer Registrars Pty Ltd
PO Box 535, APPLECROSS WA 6953.

Applications must be received by Security Transfer Registrars Pty Ltd no later than 5.00pm AESTon the closing date.

EXPLANATION OF ENTITLEMENT

1. The front of this form sets out the number of Securities and the price payable on acceptance of each Security.

2. Your entitlement may be accepted either in full or in part. There is no minimum acceptance.

ENQUIRIES

All enquiries should be directed to the Company's share registry:

Security Transfer Registrars Pty Ltd

PO Box 535, Applecross WA 6953 AUSTRALIA

770 Canning Highway, Applecross WA 6153 AUSTRALIA

Telephone **+61 8 9315 2333**

Facsimile **+61 8 9315 2233**

Email **registrar@securitytransfer.com.au**

PRIVACY STATEMENT
Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.