

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

ABN

95 092 708 364

Quarter ended ("current quarter")

31 DECEMBER 2009

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	10,317	26,061
1.2 Payments for		
(a) staff costs	(1,838)	(10,397)
(b) advertising and marketing	(45)	(161)
(c) research and development	(1,311)	(2,125)
(d) leased assets	(24)	(85)
(e) other working capital	(4,715)	(19,525)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	9	290
1.5 Interest and other costs of finance paid	(60)	(204)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net operating cash flows</b>	<b>2,333</b>	<b>(6,146)</b>

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	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>2,333</b>	<b>(6,146)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	(3,264)	(3,264)
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(9)	(27)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(3,273)</b>	<b>(3,291)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(940)</b>	<b>(9,437)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	2,000	2,000
1.18 Repayment of borrowings	(2,103)	(2,486)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
<b>Net financing cash flows</b>	<b>(103)</b>	<b>(486)</b>
<b>Net increase (decrease) in cash held</b>	<b>(1,043)</b>	<b>(9,923)</b>
1.21 Cash at beginning of quarter/year to date	6,784	17,612
1.22 Exchange rate adjustments to item 1.20	(169)	(2,117)
<b>1.23 Cash at end of quarter</b>	<b>5,572</b>	<b>5,572</b>

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	164
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

The amount included in Item 1.24 includes \$98,057 in salary and other benefits paid to the executive director, consulting fees to non executive directors of \$30,000 and \$35,675 paid in director's fees to directors and entities associated with the non executive directors during the quarter.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

In December 2008, the Company entered into a contract to purchase inventory for A\$5.1m which required the upfront cash payment of A\$2.0m and the entering into a secured promissory note for A\$3.1m (US\$2.15m). The promissory note is repayable on the sale of finished equipment on or before 31 December 2010 at the rate of US\$50,000 per unit sold. The promissory note is secured by part of the inventory and a guarantee from the parent Company, is denominated in US\$ and attracts an annual interest charge of 5% on the outstanding amount payable monthly.

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	761	972
4.2	Deposits at call	4,811	5,812
4.3	Bank overdraft		
4.4	Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.23)		<b>5,572</b>	<b>6,784</b>

**Acquisitions and disposals of business entities**

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	The business of Recon Optical Inc. The legal entity was not acquired.	
5.2	Place of incorporation or registration		
5.3	Consideration for acquisition or disposal	A\$3,264,000	
5.4	Total net assets	A\$3,264,000 - The acquisition of the business was only completed on 3 December 2009 and we are still finalising the fair values of assets and liabilities acquired and as such the figures are provisional only.	
5.5	Nature of business	Purchase of Intellectual Property, inventory and property, plant and equipment from Recon Optical Inc in the USA which is involved in the manufacture and distribution of gimbals.	

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

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Sign here: ..... Date: 29 JANUARY 2010  
(Director)

Print name: IAN ALISTAIR DENNIS.

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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