



Annual Report 2011

ICash Payment Systems Limited
ABN 87 061 041 281

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The report covers the consolidated group consisting of iCash Payment Systems Limited and the entities it controlled during the year ended 30 June 2011. The report is presented in Australian currency.

The report was authorised for issue by the directors on 29 September 2011. The Company has the power to amend and reissue the report.

Financial Summary

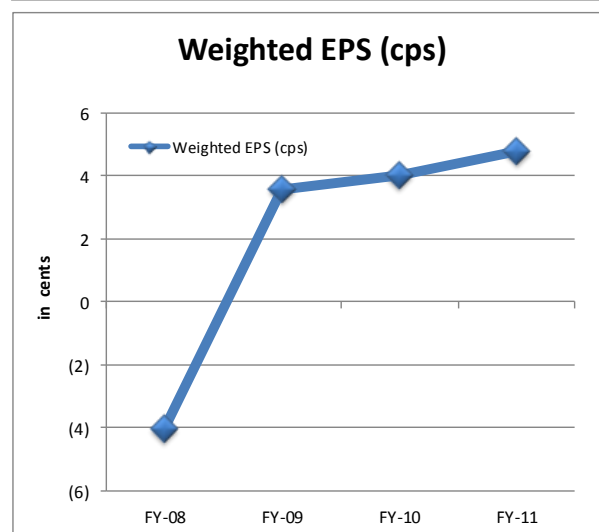
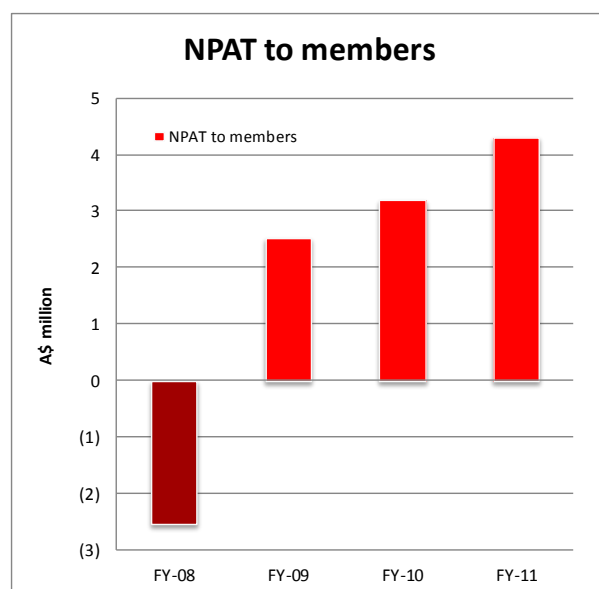
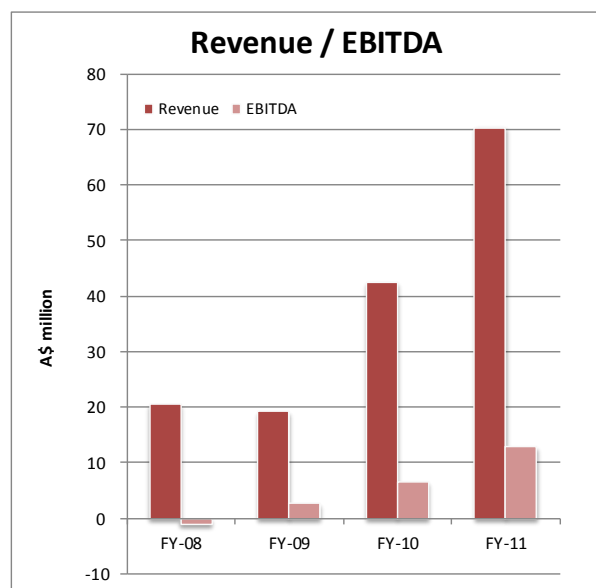
Key Features

- * Revenue up 66% to \$70.3m
- * EBITDA (underlying) growth of 96% to \$12.8m
- * NPAT (underlying) up 92% to \$8.5m
- * Korea revenue up \$28.1m or 100% to \$56.1m
 - Deployment of 5,675 units in 2011 including 373 Back Office Systems
- * Australia revenue down \$0.1m to \$14.3m
 - Network growth of 23% to 1,600 + ATMs

	FY-07	FY-08	FY-09	FY-10	FY-11
	A\$m	A\$m	A\$m	A\$m	A\$m
INCOME STATEMENT					
Revenue	0.3	20.4	19.1	42.4	70.3
EBITDA	(1.4)	(1.0)	2.6	6.5	12.8
EBIT	(1.4)	(2.6)	0.3	4.4	10.5
NPAT	(1.4)	(2.5)	2.6	4.4	8.5
NPAT to members	(1.3)	(2.5)	2.5	3.2	4.3
Korea					
Revenue	-	15.2	13.2	28.0	56.1
EBITDA	-	1.4	1.5	3.7	11.5
EBIT	-	0.1	(0.4)	2.1	10.0
Australia					
Revenue	0.3	5.2	5.9	14.4	14.3
EBITDA	(1.4)	(2.4)	1.1	2.8	1.3
EBIT - excl. corporate	(1.4)	(2.7)	0.7	4.2	2.2
EBIT - Corporate	-	-	-	(1.9)	(1.7)
VALUATION					
Issued shares (million)	29.3	62.6	70.9	79.3	89.9
Weighted EPS (cps)	(4.6)	(4.0)	3.5	4.0	4.8
MARGIN ANALYSIS					
EBITDA	-533%	-5%	14%	15%	18%
EBIT	-533%	-12%	2%	10%	15%
GROWTH RATIOS					
Revenue	-	-	-6%	122%	66%
EBITDA	-	-	-	150%	96%
EBIT	-	-	-	1367%	139%
NPAT (consolidated)	-	-	-	69%	92%
NPAT to members	-	-	-	27%	34%
EPS (underlying)	-	-	-	14%	18%
BALANCE SHEET					
Net Debt	-	3.0	2.7	5.8	(2.6)
Shareholders Funds	12.9	23.7	27.4	38.1	38.0
Net Debt/Shareholders Funds	-	13%	10%	15%	-7%
Total Assets	13.2	31.5	37.4	58.2	53.5
Net Assets	12.9	23.7	27.4	38.1	38.0
NTA per Share (cps)	25.6	12.1	15.5	15.4	17.2

Underlying Profit

This summary discloses various profitability measures on an 'underlying' basis, thereby excluding a number of items that introduce volatility and/or one off distortions of the Group's current period performance. These adjustment items excluded from statutory profit are also provided in the Notes to the Financial Statements that follow.



CHAIRMAN'S REPORT

Dear Shareholder,

It is with pleasure that I report to you that ICP has delivered a solid result in FY11, our 5th successive year of growth. This achievement is even more respectable when it is considered that it was achieved in a market characterised by a global economy showing signs of returning weakness.

Group Performance

During the year, increased output from the NeoICP manufacturing facility in Korea and the high number of units manufactured enabled the delivery of sales in excess of 6,400 units. These sales were principally from our Korean customers but combined with our Australian ATM operations led to revenue growth 66% to \$70.3m up \$27.9m from 2010 revenue of \$42.4m. The compound average growth rate (CAGR) for revenue over the last 3 years is effectively 50%+.

Group EBITDA was strong, growing by 56% to \$10.3m including the impact of \$2.5m of non-recurring costs - specifically the GST assessment of \$1.4m, costs of \$0.9m associated with implementation of the proposed increase in ICP's investment in NeoICP and \$0.2m of non-recurring corporate charges.

Profit before financing items and tax (EBIT) at \$2.2m was 50% of the prior year's \$4.4m and this outcome was the result of charges brought to account as determined by the Directors as part of the review of the business. The Underlying EBIT was \$10.5m after allowing for the non-recurring/restructuring costs, an increase of 138% on the prior year.

Domestically, the changes in global economic fortunes were most evident in the decline in Australian non-mining productivity, particularly in the sectors of manufacturing, retail and related services. Coupled with this background of deteriorating retail market conditions, the Australian ATM deployment business also experienced increased competition from several new entrants, resulting in higher merchant rebates and declining margins on each transaction. While still in its infancy non-cash retail transactions may prove to be an additional competitor for market share.

It is in this environment that the importance of our vertical integration and portfolio approach to risk management becomes evident. The growth being experienced is reflective of strategic decisions taken several years ago to invest in "banking and cash handling technology" beyond Australia. The Australian business cycle and its declining Group contribution is more than offset by the strong Korean growth. 2011 was a year of consolidation in Korea with NeoICP positioned as the leader in the Korean non-bank ATM sector, with the proprietary Back Office Machine and the associated systems remaining unchallenged in the Korean market.

The Group has delivered upon a timely diversification from its historic position of complete reliance on its Australian ATM business. The Group is now a successful, diversified, solution provider across a number of geographical areas.

ICP continues to seek to grow through portfolio diversification into the high cash dependent economies of Asia. This approach will further smooth the impact of adverse individual operating results and spread risk across additional regions. Additional core products and services and a growing number of key customers will continue to ensure strong performance. The drive to supply customer centric solutions across a range of cash handling and banking technologies, further differentiates ICP from other market participants.

Non – Recurring / Restructuring Costs

During the year a number of non-recurring costs were charged against the results:

Corporate Costs

In recent years ICP has held a determined view that there are benefits to be gained from ICP having outright ownership of its subsidiary, NeoICP. In June 2011 the Board announced it had entered into a binding agreement to purchase a further 41.04% of NeoICP giving it ownership of 88.15% of the issued shares with the target of acquiring 100% over the following 12 months. The announcement highlighted all parties resolve to achieve this goal as soon as practical. Shortly, the Board will issue further information advising the shareholders on this matter in detail.

This is a particularly exciting opportunity for both companies and will finalise the non-recurring costs associated with the extensive work undertaken on achieving this outcome.

GST Assessment

As informed last year the Group undertook a voluntary disclosure with the Australian Taxation Office on the change in legislation and the impact of GST on its deemed financial supply of ATM services. The outcome is that input tax credits on supply, including capital equipment such as ATMs which were previously claimable were no longer allowed. This gave rise to a GST charge in the 2011 profit of \$1.4m.

Market Entry Costs

Over the last several years ICP have undertaken entry into various markets of interest. It is the Boards considered view that such new market penetration is best achieved through technology partnerships or indeed through alignment with our strong customer base. This re-alignment of strategy resulted in the Board determining a full non-recoverability provision against the book value of the convertible loan receivable from Beijing Yinkatong Technology Co. Ltd.

Impairment Costs

During the final weeks of 2011 a detailed review of the Australian business was completed. The economic conditions and the changing market were reviewed by the Board. The result was the Board reduced the estimated longevity of the deployed ATM assets and adopted a five year amortisation policy.

Summary of non-recurring costs impact:

	\$'000s
One-off costs included in Admin- Australia	2,475
Asset impairment charge - Australia	5,131
Asset impairment charge - Korea	656
TOTAL	8,262

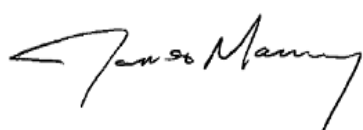
Group Outlook

ICP commenced the 2012 financial year with orders on hand in Korea exceeding \$30m. The Korean opportunities will continue to grow through the relationships with the current Korean customers both locally and through their geographic growth.

Australia with 950+ ATMs in the fleet and a further 670+ ATMs under management will continue to operate profitably. Further growth in ATMs deployed will require capital investment. New NeoICP products are currently being approved for the Australian market and they are expected to provide new growth opportunities.

It has been a particularly exciting year and the ICP Group's underlying performance has been very pleasing. I am excited by the opportunities presented in 2012 and believe that the growth of the business will be significant.

Finally this success could not be achieved without the unequivocal support of management and staff in Korea and Australia, my fellow directors and the ongoing support from the shareholders.



James Manny

KOREAN OPERATIONS

The Korean operations, NeoICP, continue to grow at a very pleasing rate. Revenue for 2011 was A\$56.1 m and this was an increase of in excess of 100% on the prior year. This result was driven by deployment of 5,675 units into the Korean ‘non bank’ market. NeoICP now has greater than 50% of the non-bank market in Korea having secured arrangements with 3 of the 4 largest supermarket and convenience groups. The contribution from NeoICP both financially and technically are critical elements in delivering the strategic intent of ‘driving customer specific solutions focussed on banking technology products’.

Improvements to the manufacturing capacity during 2010 have enabled the seamless production of the required volumes and capacity remains available for new opportunities. The current year production exceeded 6,400 units; 5,302 ATMs and 373 Back Office Systems which are equivalent to 1,119 units.

Korea’s EBITDA at A\$11.5m was up by 211%. This result is a notable achievement considering the impact of economic weaknesses and natural disasters in Japan and Korea, culminating in supply issues from Japan. The final product mix supplied was almost 2,500 recycling ATMs to Lotte Group and more than 3,000 recycling ATMs into the Korean market.

Underlying EBIT at A\$10.0m was an increase of 380% and reflected improved supply chain management and factory production improvements as well as holding fast on overheads where possible. The growth in EBIT critically drove improvements in the cash and debt levels with Korea year end net cash of A\$3.0m representing an improvement of almost A\$9.8m in net cash over the year.

Customer specific product development remains a key strength of NeoICP’s integrated Research and Development facility with its manufacturing. The key focus is customer centric R+D in banking technology products through customisation of cash handling solutions. NeoICP is the designer, manufacture and assembler of ATMs, cash handling equipment and back office solutions and this ‘complete approach’ ensures Neo ICP remains a customer solutions provider, not a mass producer.

In Korea, 2011 has seen a growing strategic focus on recurring revenue opportunities. While in the near term this provides a minor benefit the solutions focus has broadened the offering to existing customers and enabled the development of customer partnered solutions that are relevant across the entire value chain. These solutions will more completely harness NeoICP’s expertise in switching through to cash handling: coin, note, voucher and cheque, solutions in niche markets.

The focus of technical development has underpinned a number of product developments that will provide opportunities over the next few years. Specifically, these developments include the introduction of a new ‘super low cost’ customised ATM into Asia and the enhancement of the proprietary infield diagnostic and analysis tool, iRAMs. Further development and approval of recycling ATM technology, back office equipment and coin technology will see these products released into the Australian market as well as a number of ‘high cash markets’ throughout Asia.

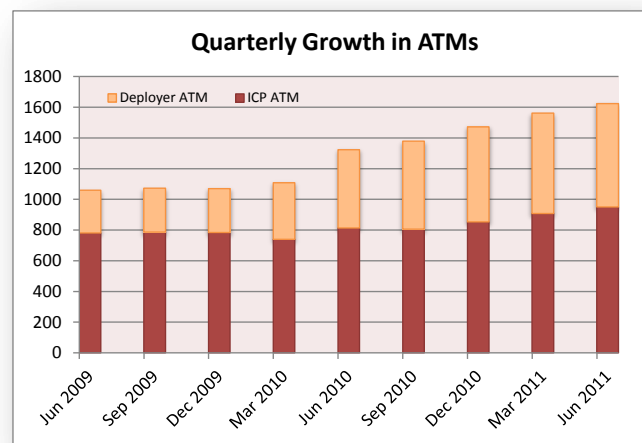
Retaining current customers and solving their issues locally provides a powerful relationship, critical for the successful partnering with these customers as they grow throughout Asia. NeoICP will continue to develop solutions for its customers’ needs. With an order book exceeding A\$30m at July 2011 NeoICP has commenced 2012 with a strong business and significant opportunities to grow profitably.

AUSTRALIAN OPERATIONS

The Australian business operates a network of over 1600 ATMs, more than 950 are owned and operated by iCash. Additionally, the successful Cashpod™ ATM produced in Korea by NeoICP is not only the primary ATM operated by the Australian business but has been successfully sold to independent operators and deployers, nationwide. During 2011 all areas of the business performed well in difficult market conditions.

The Australian ATM network grew 23% and iCash Australia ended the year with a total number of ATMs under management of 1,623. The iCash owned and operated ATM network grew 17% over the year to 950 ATMs at year end. The third party deployer networks managed by iCash experienced excellent growth of 32% over the year to reach a network size of 673 ATMs. The number of ATMs sold to independent operators was 169 units down from the 2010 performance of 444 units, reflective of fewer new entrants and general market conditions. The gross profit of the Australian operations was affected by the reduced number of ATMs sold and also by the higher rebate payments.

The Australian market was characterised by continuing soft economic conditions, reduction in discretionary spending and negative macro effects including a number of natural disasters. In this environment iCash continued to experience successful growth in the number of ATMs under management but only gained modest revenue growth. In March 2011 iCash commenced a review of fees charged on its ATM fleet and has progressively increased fees, particularly on sites that contribute below the required profitability threshold. This fee program in conjunction with the stated objective of ‘only seeking economic value adding sites’ has resulted in ongoing profitable growth.



The Australian ATM market is very competitive and is experiencing unprecedented change. Expansion of “fee free” networks and a potential move by consumers to alternate and new technologies such as ‘cash-out at EFTPOS’ and proximity payment products may further impact the incidence of fee based ATM transactions. For iCash Australia, the future will see the introduction of complementary and new technology and equipment as proven in Korea and other markets.

Profitable year - non recurring costs impact the current year performance.

The Australian operations produced a loss before income tax of \$1.5 million. After allowing for non-recurring costs the underlying profit for the Australian operations was \$2.2 million down 48% on 2010. The changing market, the rapidly evolving Group product strategy and the anticipated increase in the investment in NeoICP resulted in the Board initiating a detailed business review that focused on Australia. This review concluded that technology driven product change was impacting the market and reducing the estimated longevity of the deployed ATM assets. In aligning the product strategy to the market conditions the Board has adopted the position of amortising ATM assets over 5 years as against the market trend of six to ten years. The impact of this change alone is \$2+ million charge to the Australian results.

To adapt to the changing market conditions, in conjunction with its R+D resources in NeoICP, ICP is developing and adopting technologies for the Australian market. ICP believe that the increased suite of products will not only protect its Australian profitability but enhance its value proposition and provide a solid base for future growth.

DIRECTOR'S REPORT

The Directors present their report on the consolidated group consisting of iCash Payment Systems Limited and the entities it controlled during the year ended 30 June 2011 and the auditors' report thereon.

1 Directors

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

Mr James Andrew Manny – Executive Chairman

Age: 51

Expertise and Experience

Mr Manny has held numerous investment banking positions. He has expertise in treasury, IPO project management and capital raising, and is currently a non-executive director of Credit New Holland Group Limited. James is also chairman and director of NeoICP Korea Inc.

Appointed a Director on 28 September 2005.

Appointed Chairman on 22 August 2006.

Mr Sin Pyng (Tony) Teng – Executive Director

Age: 58

Expertise and Experience

Mr Teng has held senior accounting and management positions with substantial companies across a range of industries. Since 1990 he has been a consultant involved with merger & acquisitions and restructuring also having a crucial role in capital raising.

Mr Teng is a CPA, Fellow of Australian Institute of Company Directors and an Associate Fellow of the Australian Institute of Management. Mr Teng is also a director of a publicly listed Company, Coalworks Limited.

Appointed a Director on 18 April 2007.

Mr Kim Adrian Stewart – Executive Director

Age: 54

Expertise and Experience

Mr Stewart has held senior marketing and management positions with substantial local and international companies across a variety of industries, primarily in the ATM and EFTPOS industry. He has been involved in the electronic transaction industry for over 20 years primarily in Australia, Asia and Europe.

Appointed a Director on 27 June 2008.

Mr Kyung Shik (Steve) Ham – Executive Director

Age: 47

Expertise and Experience

Mr Ham holds a degree in electronic engineering. He has 20 years of experience involving the development of banking automation products, network and systems integration in the ATM manufacturing industry. In the last 10 years he was in senior and technical roles with emphasis on global ATM business development. Steve is also a director of NEOICP Korea, Inc.

Appointed a Director on 8 October 2009.

Mr Barry George Sechos – Non-executive Director

Age: 50

Expertise and Experience

Mr Sechos has 20 years of experience in corporate law, banking and finance. Barry has held various senior positions across a range of industries including funds management companies. Barry holds a BComm. (Accounting Major) and LLB from the University of New South Wales. Barry was formerly a Director of Pulse International Pty Ltd whose assets were purchased by iCash Payment Systems Limited in March 2010.

Appointed a Director on 9 August 2010.

2 Company Secretary

The company secretary of the Company at any time during or since the end of the financial year was:

Mr Sin Pyng (Tony) Teng – Executive Director and Company Secretary

Appointed a Secretary 7 January 2008.

3 Directors Meetings

Director	Board Meetings	
	No of meetings attended	No of meetings eligible to attend
J Manny	13	13
S P (Tony) Teng	13	13
K Stewart	13	13
K S (Steave) Ham	13	13
B Sechos*	11	13

*B Sechos was appointed on 9 August 2010.

4 Principal Activities

The Group is a vertically integrated banking technology business and the principal activities for the consolidated entity during the course of the financial year were specialising in the design, manufacture, sale and operation of Automatic Teller Machines (ATMs) and other banking equipment.

5 Operating and Financial Review

During the year, a significant rise in sales and manufacturing output from our Korean subsidiary coupled with a solid performance from the Australian ATM business combined to produce revenue growth of 66% to \$70.3m, and EBITDA growth of 57% to \$10.2m

Net profit attributable to iCash's shareholders decreased by \$6.7m to a loss of \$3.6m, a decrease of 217%, after non-recurring charges of \$8.3m. These charges reflected; one-off impairment, depreciation, amortisation and administration charges. Additionally \$1.3m was charged as other comprehensive income for movement in foreign exchange and revaluation reserves.

The underlying net profit after tax attributable to iCash's shareholders (excluding non-recurring charges) was \$4.3m up 34% on last year.

Sales revenue from our Korean subsidiary NEOICP grew by 100% to \$56.1m and EBITDA at \$11.5m was up by 211%. This result was driven by deployment of 5,675 units into the Korean 'non bank' market. The current year production exceeded 6,400 units: 5,302 ATMs and 373 Back Office Systems (equivalent to 1,119 units).

In Australia, sales revenue for the year was steady at \$14.3m reflecting strong on and off network ATM growth. The ATM fleet under management exceeded 1,600 at year end and the number of transactions processed during the year increased to 6.0m. However margin decline as a result of competition and unprecedented change in the marketplace coupled with reduced cashPod ATM unit sales, resulted in a decline in underlying EBITDA of 54% to \$1.3m.

6 Dividends

The directors have not recommended the payment of a final dividend and no dividends were previously declared or paid.

7 Share Options

As at the date of this report, there were 2,100,000 unissued ordinary shares under option (2,100,000 as at 30 June 2010). Refer to remuneration report for further details of the options outstanding. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

No other options over unissued shares have been granted in the period since the end of the financial year and to the date of this report.

8 State of Affairs

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

In November 2010 6,985,096 ordinary shares were issued at 56 cents per share.

9 Events Subsequent to Reporting Date

There are no significant events subsequent to the balance date to disclose.

10 Likely Developments and expected results

Likely developments in the operations of the consolidated entity include:

Australia

- Introduce complimentary product offerings to reduce the reliance on financial performance of ATM network where growth is challenging and margins remain under threat.
- Continue to provide cost effective and reliable Cashpod ATMs to third parties.
- Develop opportunities to generate new revenue streams from the existing network of ATMs.
- Adaptation and approval of Korean technologies into the Australian market including recycling and coin counting technologies.

Korea

- Increase investment in manufacturing plant and production capacity to accommodate future growth.
- Expanding the product range and customer base via the introduction of innovative, customer-driven electronic payment technologies to the market.
- Generate growing recurring revenue streams including networked opportunities.

Other Markets

- Develop market opportunities in conjunction with the growth of Korean customers in high cash markets throughout Asia.
- Capture new market opportunities for existing products including coin and note processing technologies.

11 Environmental Regulations

The consolidated entity's operations are not subject to significant environmental regulation under Australian legislation in relation to the conduct of its operations.

12 Remuneration Report (Audited)

The directors of iCash Payment Systems Limited present the remuneration report prepared in accordance with section 300A of the Corporations Act 2001 for iCash Payment Systems Limited and the consolidated entity for the financial year ended 30 June 2011.

The remuneration report forms part of the Director's Report.

This report outlines the remuneration arrangements in place for directors and executives of iCash Payment Systems Limited and the consolidated entity.

Principles of compensation

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Key management personnel comprise the executive directors of the Company and senior executives of the Group.

Compensation levels for key management personnel and secretary of the Company, and key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

Remuneration Policy - Non Executive Directors

The remuneration policy of the Company is to attract and retain competent and suitably qualified non-executive directors. Non-executive director remuneration is set by the Company's Board after consideration of market practices, relativities, director duties and accountabilities.

Fees

Non-executive directors' fees are determined within an annual aggregate directors' fee pool limit, which is periodically approved by shareholders.

Fees are fixed and are not linked to the performance of the Company so as to maintain independence and impartiality.

For the year ended 30 June 2011, non-executive director's fees comprised a base fee of \$36,667 per annum. No other fees were paid to non-executive directors in their capacity as directors, although an arm's length professional fee was paid to an entity related to director B Sechos of \$36,666 in connection with work done on the 'NeoICP One-Company' transaction.

Remuneration Policy - Executive Directors and other Key Management Personnel

The compensation policy explained below is designed to attract, retain, develop and motivate appropriately qualified and experienced senior executives as reward for the achievement of strategic objectives including the broader outcome of creation of value for shareholders.

The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segment/s' performance;
- the Group's performance including:
 - the Group's earnings; and
 - the growth in share price and delivering constant returns on shareholder wealth.

Fixed compensation

Fixed compensation consists of base compensation (calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Group. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place.

Performance linked compensation

Performance linked or 'at-risk' compensation comprises short-term cash incentives which are designed to reward key management personnel for meeting or exceeding their financial and personal objectives, Key Performance Indicators (KPIs).

KPIs comprise measures of total Company performance and individual performance and contain a mixture of financial, nonfinancial, strategic, risk and people metrics.

Performance remuneration is determined through the Board's assessment of actual individual and Group performance against pre-determined KPI's and individual contractual provisions.

Contractual Service arrangements with specified directors

The Company has executive service agreements with its KMP. Details of these contracts are as follows:

Executive Chairman – J Manny

- Term: Ongoing
- Remuneration: Fixed remuneration is \$320,000 per annum inclusive of superannuation contributions. Performance linked compensation opportunity is capped at the equivalent of 100% of annual fixed remuneration.
- Termination: The Company may terminate the contract by giving Mr. Manny six months notice (or by payment of fixed compensation in lieu of notice) or immediately for misconduct. Mr. Manny is entitled to resign his employment with the Company on six months notice.

Executive Director and CEO Australian Operations - K Stewart

- Term: Ongoing
- Remuneration: Fixed remuneration is \$280,000 per annum inclusive of superannuation contributions. Performance linked compensation opportunity is capped at the equivalent of 100% of annual fixed remuneration.
- Termination: The Company may terminate the contract by giving Mr. Stewart six months notice (or by payment of fixed compensation in lieu of notice) or immediately for misconduct. Mr. Stewart is entitled to resign his employment with the Company on six months notice.

Executive Director and Manager Korean Operations - K S (Steve) Ham

- Term: Ongoing
- Remuneration: Fixed remuneration (Australia) is \$141,700 per annum inclusive of superannuation contributions.
Fixed remuneration (Korea) is KRW 102,027,670 (A\$90,050) per annum.
Performance linked compensation opportunity is at the Board's discretion.
- Termination: The Company may terminate the contract by giving Mr. Ham six months notice (or by payment of fixed compensation in lieu of notice) or immediately for misconduct. Mr. Ham is entitled to resign his employment with the Company on six months notice.

The Company has a consultancy agreement with S P (Tony)Teng.

Executive Director and Company Secretary - S P (Tony) Teng

Term: Ongoing

Remuneration: Fixed remuneration is \$222,000 per annum.
Performance linked compensation opportunity is at the Board's discretion.

Termination: The Company may terminate the contract by giving Mr. Teng six months notice (or by payment of fixed compensation in lieu of notice) or immediately for misconduct. Mr. Teng is entitled to resign his consultancy with the Company on six months notice.

Other Key Management Personnel are employed under employment contracts, as follows:

Chief Financial Officer - J Bird

Term: Ongoing

Remuneration: Fixed remuneration is \$220,000 per annum inclusive of superannuation contributions. Performance linked compensation opportunity is capped at the equivalent of 50% of annual fixed remuneration.

Termination: The Company may terminate the contract by giving Mr. Bird six months notice (or by payment of fixed compensation in lieu of notice) or immediately for misconduct. Mr. Bird is entitled to resign his employment with the Company on six months notice.

Executive Director Fees

In addition to the above remuneration arrangements, Directors J Manny and SP (Tony) Teng each receive \$12,000 per annum per-diem as an allowance for board related expenses.

Due to relatively small number of employees, apart from J Manny, K Stewart, SP (Tony) Teng, KS (Steve) Ham and J Bird there are no other executives having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

Detail of the nature and amount of each element of the remuneration of key management personnel and the five highest paid executives of the Company and the Group follows:

Table 1: Remuneration for the year ended 30 June 2011.

	Salary & fees \$	Short-term benefits			Post employment		Long-term benefits		Share-based payments		Termination payments	Total	Performance related
		Cash bonus \$	Non-monetary benefits \$	Other \$	Superannuation \$	Retirement benefits \$	Cash Incentives \$	Long service leave \$	Options \$	Shares \$	\$	\$	%
Non-executive director													
Mr. Barry Sechos ^ @	73,333	-	-	-	-	-	-	-	-	-	-	73,333	-
Total non-executive director	73,333	-	-	-	-	-	-	-	-	-	-	73,333	
Executive directors													
Mr. James Manny #	269,578	-	-	14,579	62,422	-	-	-	-	-	-	346,579	-
Mr. Sin Pyng (Tony) Teng #	234,000	-	-	-	-	-	-	-	-	-	-	234,000	-
Mr. Kim Stewart	232,880	-	-	-	45,770	-	-	26,515	-	-	-	305,165	-
Mr. Kyung Shik (Steve) Ham	220,050	6,720	17,695	-	11,700	-	-	-	-	-	-	256,165	2.69%
Other key management personnel													
Mr. John Bird, CFO*	68,267	-	-	-	6,144	-	-	-	-	-	-	74,411	-
Total executive KMP	1,024,775	6,720	17,695	14,579	126,036	-	-	26,515	-	-	-	1,216,320	0.56%
Totals	1,098,108	6,720	17,695	14,579	126,036	-	-	26,515	-	-	-	1,289,653	0.52%

^ Appointed on 9 August 2010

@ Salary and fees include professional fees of \$36,666 of advisory services provided at arm's length

Salary and fees include \$12,000 of accrued fees, not yet paid

* Appointed on 1 March 2011

Table 2: Remuneration for the year ended 30 June 2010.

	Short-term benefits				Post employment		Long-term benefits		Share-based payments		Termination payments	Total	Performance related
	Salary & fees	Cash bonus	Non-monetary benefits	Other	Superannuation	Retirement benefits	Cash Incentives	Long service leave	Options	Shares	\$	\$	%
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive director													
Mr. Barry Sechos	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-executive director	-	-	-	-	-	-	-	-	-	-	-	-	-
Executive directors													
Mr. James Manny	269,578	34,000	-	-	65,482	-	-	-	-	-	-	369,060	10.15%
Mr. Sin Pyng (Tony) Teng	234,000	20,000	-	-	1,800	-	-	-	-	-	-	255,800	8.48%
Mr. Kim Stewart	211,927	80,000	-	-	36,360	-	-	-	-	-	-	328,287	32.22%
Mr. Kyung Shik (Steve) Ham	100,000	-	-	-	9,000	-	-	-	-	-	-	109,000	
Other key management personnel													
Mr. John Bird, CFO	-	-	-	-	-	-	-	-	-	-	-	-	-
Total executive KMP	815,505	134,000	-	-	112,642	-	-	-	-	-	-	1,062,147	14.44%
Totals	815,505	134,000	-	-	112,642	-	-	-	-	-	-	1,062,147	14.44%

^ Appointed on 9 August 2010.

* Appointed on 1 March 2011.

Details of options granted as part of remuneration for the year ended 30 June 2011

There were no share options granted during the financial year to any key management personnel of the Company or entities in the consolidated entity as part of their remuneration (2010: nil).

No share options vested or were exercised during the financial year. On 9 October 2009 the following directors exercised options granted on 3 September 2007. The reconciliation of the number of share options is as follows:

	J Manny	T Teng	Total
Balance held at 1 July 2009	1,000,000	50,000	1,050,000
Options issued / (expired) during the year	-	-	-
Options exercised during the year	(1,000,000)	(50,000)	(1,050,000)
	<hr/>	<hr/>	<hr/>
Balance held at 30 June 2010	-	-	-
	<hr/>	<hr/>	<hr/>
Exercisable	-	-	-
Not exercisable	-	-	-
Balance held at 1 July 2010	-	-	-
Options issued / (expired) during the year	-	-	-
Options exercised during the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance held at 30 June 2011	-	-	-
	<hr/>	<hr/>	<hr/>
Exercisable	-	-	-
Not exercisable	-	-	-

End of Remuneration Report (Audited)

- 13 Loans to Directors**
There are no loans to directors.

- 14 Shareholdings of Key Management Personnel**
Shares in iCash Payments Systems Limited:

Director	No of Ordinary Shares*			
	2011		2010	
	Direct	Indirect	Direct	Indirect
J Manny	22,000	1,026,619	22,000	1,026,619
S P Teng	-	50,000	-	50,000
K Stewart	-	225,000	-	225,000
K S Ham	306,925	-	306,925	-
B Sechos	-	3,050,000	-	3,050,000

*Post consolidation shares. The numbers reported for the prior period have been adjusted and restated.

Directors' Interests in Contracts

During the year the directors of the Company entered into a consulting agreement with Mr. B Sechos through Sherman Group Limited for provision of advisory services. Mr. B Sechos has an interest as a director of Sherman Group Limited and his services are considered to be beyond the scope of his role as a non-executive director. The agreed fees under the agreement are \$10,000 per quarter. These services are provided at terms below market rate.

15 Indemnification and Insurance of Officers

Indemnification

For those directors and officers in office since 29 September 2005, the Company has indemnified them against all liabilities to another person that may arise from their position as directors or officers except where the liability arises out of conduct involving criminal activity or gross negligence.

Insurance Premiums

During the financial year the Company has paid premiums in respect of directors' and officers' liability insurance contracts for the year ended 30 June 2011 and since the end of the financial year, the Company has agreed to pay on behalf of the companies comprising the consolidated entity, premiums in respect of such insurance contracts for the year ending 30 June 2011. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the companies comprising the consolidated entity.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contracts.

16 Non-audit services

During the year Nexia Court & Co, the Company's auditor, has performed certain other services in addition to their statutory duties to the Company.

The board has considered the non-audit services provided during the year by the auditor, and by resolution, the directors of the Company are satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the board of directors to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in the relevant APES standards and Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The fees for non-audit services were paid/payable to the external auditors during the year ended 30 June:

	2011	2010
	\$	\$
Income tax return and taxation advisory services	17,873	14,885

17 Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 22 and forms part of the directors' report for the financial year ended 30 June 2011.

18 Officers who were previously partners of the Audit Firm

Nil.

19 Corporate Governance Statement

The Company is committed to high standards of corporate governance. The Company has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (2nd Edition) for the entire financial year. However given the current size of the Company, it is not appropriate or practical to comply fully with those principles and recommendations. The Company has adopted those recommendations where appropriate.

The table below summarises those recommendations and the Company's current practices, including instances where recommendations have not been adopted by the Company, this has been identified and explained below:

#	Recommended Principle	Complied	Note
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions	√	1
1.2	Disclose the process for evaluating the performance of senior executives	√	
1.3	Provide for the information indicated in the Guide for reporting Principle 1	√	
2.1	A majority of the Board should be independent directors.	X	2
2.2	The chairman should be an independent director	X	3
2.3	The role of chairman and chief executive officer should not be exercised by the same individual	X	3
2.4	The Board should establish a nomination committee	X	4
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors	√	
2.6	Provide the information indicated in Guide to reporting on Principle 2	√	
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: the practices necessary to maintain confidence in the Company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	√ √ √	5
3.2	Establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy	√	6
3.3	Provide the information indicated in Guide to Reporting on Principle 3.	√	
4.1	The Board should establish an audit committee.	X	7
4.2	The audit committee should be structured so that it: consists only of non-executive directors consists a majority of independent directors is chaired by an independent chairman, who is not chairman of the Board has at least three members	X X X X	
4.3	The audit committee should have a formal charter	X	
4.4	Provide the information indicated in Guide to reporting on Principle 4	√	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	√	8
5.2	Provide the information indicated in Guide to reporting on Principle 5.	√	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their effective participation at general meetings and disclose their policy or a summary of that policy	√	9
6.2	Provide the information indicated in the Guide to reporting on Principle 6	√	
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	√	10

#	Recommended Principle	Complied	Note
7.2	Require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	√	
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	√	
7.4	Provide the information indicated in Guide to reporting on Principle 7.	√	
8.1	The board should establish a remuneration committee.	X	11
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	√	
8.3	Provide the information indicated in the Guide to reporting Principle 8.	√	

Notes

- The directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company.

Responsibilities of the Board are:-

- overseeing the Company, including its control and accountability systems;
- appointing and removing the chief executive officer, or equivalent
- where appropriate, ratifying the appointment and the removal of senior executives
- establishing, monitoring and modifying corporate strategies and performance objectives;
- ensuring that appropriate risk management systems, internal compliance and control, reporting systems, codes of conduct, and legal compliance measures are in place;
- monitoring the performance of management and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring of financial and other reporting;
- approving dividends, major capital expenditure, acquisitions and capital raising/restructures;

The Company has an informal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the consolidated entity concerning performance of directors. Directors also have the opportunity to visit consolidated entity facilities and meet with management to gain a better understanding of business operations.

- While a majority of the board members are not independent directors, the board believes that the experience and skills of the directors are sufficient to discharge the board's duties effectively.
- The chairman is an executive director and therefore is not an independent director. The Board believes, that even though the chairman is not an independent director the chairman is able to make quality and independent judgement on all relevant issues falling within the scope of the role of a chairman.

The Company will work towards this principle.

- The Board considers the Company is not currently a size to justify the formation of a Nomination Committee. All Board nomination matters are considered by the whole Board.

The Board oversees the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's executive management team. The appropriate skill mix, personal qualities, expertise and diversity are factors taken into account in each case. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the required skills.

The Board annually reviews the effectiveness of the functioning of the Board, individual directors, and senior executives.

5. The consolidated entity recognises the need for directors and employees to observe the highest standards of behaviour and business ethics. All directors and employees are required to act in accordance with the law and with the highest standard of propriety. This policy requires all directors and employees to seek approval from the Chairman and the Company Secretary prior to dealing in the Company's securities.
6. The Company's policy regarding directors and employees trading in its securities is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.
7. The Company has not established an Audit Committee as recommended by the ASX principles as the Board believes that due to the small size of the Company this role is more effectively dealt with by the Board directly. The Board advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity. The Board believes that the current members of the board have the experience and skills to discharge the Audit Committee's duties effectively.

The Board intends to establish an Audit Committee when appropriate with an independent Chairman and majority of independent Directors.

Currently the Board:

- reviews the annual, half-year and concise financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
 - assesses whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
 - assesses the adequacy of the internal control framework and the Company's code of ethical standards;
 - discusses the external audit and internal audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
 - monitors the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements;
 - addresses any matters with the auditors, Australian Taxation Office, Australian Securities and Investments Commission, and ASX;
 - reviews the nomination and performance of the external auditor; and
 - reviews and approves corporate governance policy.
8. The Company has established procedures designed to ensure compliance with the ASX Listing Rules so that Company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Established policies which can be viewed on the Company's website also ensure accountability at a senior management level for ASX compliance. The Board approves all disclosures necessary to ensure compliance with ASX Listing Rule disclosure requirements.

9. The Company has a communications strategy and an established policy on stakeholder communication and continuous disclosure to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting commercial information.

The Company's policy on communication with shareholders is set out in the Company's 'Policy on stakeholder communication and continuous disclosure' which can be viewed on the Company's website.

10. The Board has established policies on risk oversight and management which can be viewed on the Company's website. To carry out this function the Board:
 - oversees the establishment, implementation, and annual review of the Company's risk management system, including assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity;
 - reviews the financial reporting process of the Company;
 - discusses with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures of the Company to assess, monitor and manage business risk;
 - reviews with the external auditor any audit problems and the Company's critical policies and practices; and
 - reviews and assesses the independence of the external auditor.

Systems of internal financial control have been put in place by the management of the Company and are designed to provide reasonable, but not absolute protection against fraud and material misstatement. These controls are intended to identify, in a timely manner, control issues that require attention by the Board.

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

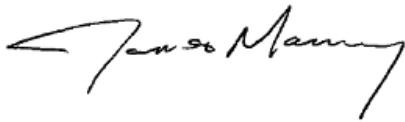
Practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior Board approval;
 - financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, forward exchange rate management and credit risk management are included in the financial statements;
 - occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
 - business transactions are properly authorised and executed;
 - the quality and integrity of personnel; and
 - financial reporting accuracy and compliance with the financial reporting regulatory framework.
11. Due to the small number of executives the functions normally carried out by a remuneration committee are currently handled by the whole Board. The remuneration policy, which sets the terms and conditions for the Chairman and other senior executives has been approved by the Board. All executives receive fees and also may receive performance incentives in the form of cash bonus. The Board reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies.

The amount of remuneration of all directors and executives, including all monetary and non-monetary components, is detailed in the Director's Report. All remuneration paid and options issued to executives are valued at a cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

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

Signed in accordance with a resolution of the directors:



J Manny
Director

Sydney



S P Teng
Director

Dated: 29 September 2011

**LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF iCASH PAYMENT SYSTEMS LIMITED**

The Board of Directors
iCash Payment Systems Limited
Level 17, 115 Pitt Street
Sydney NSW 2000

Dear Board Members

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of iCash Payment Systems Limited

As lead audit partner for the audit of the financial statements of iCash Payment Systems Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours sincerely



David Gallery
Partner



Nexia Court & Co
Chartered Accountants

Dated: 29 September 2011

**INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF
iCASH PAYMENT SYSTEMS LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of iCash Payment Systems Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2a, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

**INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF
iCASH PAYMENT SYSTEMS LIMITED
(CONTINUED)**

Auditor's Opinion

In our opinion:

- (a) the financial report of iCash Payments System Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2a.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of iCash Payment Systems Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Nexia Court & Co.

Nexia Court & Co
Chartered Accountants



David Gallery
Partner

Sydney
Dated: 29 September 2011

DIRECTORS' DECLARATION

The directors of the Group declare that:

1. in the directors' opinion, the financial statements and accompanying notes set out on pages 26 to 70 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date;
2. note 2a confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
3. in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
4. the remuneration disclosures included in pages 10 to 15 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2011, comply with section 300A of the *Corporations Act 2001*; and
5. the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



J Manny
Director

29 September 2011

Location: Sydney



S P Teng
Director

29 September 2011

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Consolidated	
		2011	2010
		\$	\$
Revenues from continuing operations	7	70,344,869	42,433,951
Network expenses	8a	<u>(47,514,649)</u>	<u>(26,560,762)</u>
GROSS PROFIT		22,830,220	15,873,189
Administrative expenses	8b, 8c	<u>(12,552,236)</u>	<u>(9,320,004)</u>
Depreciation, amortisation and impairment expenses	8d	<u>(8,076,090)</u>	<u>(2,122,937)</u>
PROFIT BEFORE FINANCING ITEMS		2,201,894	4,430,248
Financial income	8e	165,462	304,095
Financial expense	8e	<u>(444,954)</u>	<u>(490,062)</u>
NET FINANCING COST		(279,492)	(185,967)
PROFIT BEFORE INCOME TAX		1,922,402	4,244,281
Income tax (expense)/benefit	9	<u>(1,701,235)</u>	<u>136,459</u>
PROFIT FOR THE YEAR		221,167	4,380,740
OTHER COMPREHENSIVE INCOME			
Movement in foreign currency translation reserve	24	(893,538)	(51,668)
Fair value revaluation on financial instruments	24	<u>(442,000)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		(1,114,371)	4,329,072
Profit/(loss) for the year attributable to:			
Non-controlling interests		3,845,179	1,278,407
Members of the parent entity		<u>(3,624,012)</u>	<u>3,102,333</u>
		221,167	4,380,740
Total comprehensive income attributable to:			
Non-controlling interests		3,845,179	1,278,407
Members of the parent entity		<u>(4,959,550)</u>	<u>3,050,665</u>
TOTAL COMPREHENSIVE INCOME		(1,114,371)	4,329,072
		Cents	Cents
		per share	per share
Basic profit/(loss) per share	10	(4.03)	3.90
Diluted profit/(loss) per share	10	(4.03)	3.90

The above consolidated financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	Consolidated	
		2011	2010
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	11	7,158,369	4,667,514
Trade and other receivables	12	6,845,963	9,238,984
Other financial assets	13	1,663,891	120,146
Inventory	14	6,186,322	9,415,364
Other assets	15	214,323	614,318
TOTAL CURRENT ASSETS		22,068,868	24,056,326
NON-CURRENT ASSETS			
Trade and other receivables	12	17,513	1,706,023
Intangible assets	16	20,767,164	23,117,233
Other financial assets	13	1,960,091	611,950
Deferred tax assets	17	1,394,273	1,842,529
Property, plant and equipment	19	5,464,164	5,839,461
Other assets	15	1,852,824	1,069,990
TOTAL NON-CURRENT ASSETS		31,456,029	34,187,186
TOTAL ASSETS		53,524,897	58,243,512
CURRENT LIABILITIES			
Trade and other payables	20	9,641,904	8,648,902
Financial liabilities	21	4,434,038	10,021,195
Provisions	22	223,537	155,179
TOTAL CURRENT LIABILITIES		14,299,479	18,825,276
NON-CURRENT LIABILITIES			
Financial liabilities	21	159,116	440,525
Provisions	22	1,042,465	913,067
TOTAL NON-CURRENT LIABILITIES		1,201,581	1,353,592
TOTAL LIABILITIES		15,501,060	20,178,868
NET ASSETS		38,023,837	38,064,644
EQUITY			
Share Capital	23	53,333,113	49,431,494
Reserves	24	(2,171,652)	(856,453)
Accumulated losses	25	(21,932,482)	(14,740,503)
Parent entity interest		29,228,979	33,834,538
Non-controlling interest	26	8,794,858	4,230,106
TOTAL EQUITY		38,023,837	38,064,644

The above consolidated financial statements should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

Consolidated	Note	Issued Capital	Reserves	Accumulated Profit/ (Losses)	Parent Entity Interest	Non- controlling Interest	Total Equity
		\$	\$	\$	\$	\$	\$
At 1 July 2009		43,248,994	398,544	(19,161,656)	24,485,882	2,951,699	27,437,581
Profit for the year	25	-	-	3,102,333	3,102,333	1,278,407	4,380,740
Issuance of share capital	23	6,407,500	-	-	6,407,500	-	6,407,500
Share issue costs	23	(225,000)	-	-	(225,000)	-	(225,000)
Issuance of share options	24	-	115,491	-	115,491	-	115,491
Transfer to/from reserves	24	-	(1,318,820)	1,318,820	-	-	-
Recognition of foreign currency translation reserve	24	-	(51,668)	-	(51,668)	-	(51,668)
At 30 June 2010		49,431,494	(856,453)	(14,740,503)	33,834,538	4,230,106	38,064,644
Effect of movement in non-controlling interest	25	-	-	(146,317)	(146,317)	1,209,577	1,063,260
Profit/(loss) for the year	25	-	-	(3,624,012)	(3,624,012)	3,845,179	221,167
Issuance of share capital	23, 25	3,911,654	-	(3,421,650)	490,004	(490,004)	-
Share issue costs	23	(10,035)	-	-	(10,035)	-	(10,035)
Issuance of share options	24	-	20,339	-	20,339	-	20,339
Revaluation of financial instruments	24	-	(442,000)	-	(442,000)	-	(442,000)
Recognition of foreign currency translation reserve	24	-	(893,538)	-	(893,538)	-	(893,538)
At 30 June 2011		53,333,113	(2,171,652)	(21,932,482)	29,228,979	8,794,858	38,023,837

The above consolidated financial statements should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Consolidated	
		2011	2010
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		71,967,316	37,246,120
Cash payments to suppliers and employees		(60,226,128)	(36,650,458)
Interest paid		(444,954)	(490,062)
Interest received		165,462	304,095
		<hr/>	<hr/>
Net cash from operating activities	27ii.	11,461,696	409,695
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to purchase property, plant and equipment		(3,008,332)	(2,373,140)
Payments for development costs		(168,961)	(923,408)
Payments to purchase intangibles		(307,000)	-
Payments to acquire other non-current assets		(715,368)	-
Payments to purchase investments		(364,344)	(197,565)
Payments for deposits		(300,844)	-
Payments made to acquire subsidiaries		-	(1,000,000)
Payments as a result of business combination		-	(315,000)
Payments for deposits		-	(43,265)
Proceeds from sale of investments		46,451	-
Loans received from other parties		1,300,000	-
Loans made to other parties		-	(2,424,156)
		<hr/>	<hr/>
Net cash from investing activities		(3,518,398)	(7,276,534)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sources of liability finance		7,826,682	13,751,246
Repayment of sources of liability finance		(13,578,560)	(8,968,449)
Proceeds from share issue		-	4,316,296
Share issue costs		(10,035)	(225,000)
		<hr/>	<hr/>
Net cash from financing activities		(5,761,913)	8,874,093
NET INCREASE IN CASH HELD		2,181,385	2,007,254
Cash and cash equivalents at 1 July		<hr/> 4,667,514	<hr/> 2,665,521
Effect of foreign exchange fluctuations on cash held		(176,615)	(5,261)
CASH AND CASH EQUIVALENTS AT 30 JUNE	27i.	<hr/> 6,672,284	<hr/> <hr/> 4,667,514

The above consolidated financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

1 REPORTING ENTITY

iCash Payment Systems Limited (the 'Company') is a Company domiciled in Australia. The address of the Company's registered office is Level 17, 115 Pitt Street, Sydney, NSW, 2000. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is a vertically integrated banking technology business specialising in the design, manufacture, sale and operation of Automatic Teller Machines (ATMs) and other banking equipment. (refer note 6).

2 BASIS OF PREPARATION

a Statement of compliance

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

The financial statements were approved by the Board of Directors on 29 September 2011.

b Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except in accordance with relevant accounting policies where assets and liabilities are stated at their values in accordance with relevant accounting policies

c Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

d Use of estimates and judgment

The preparation of financial statements in conformity with AASBs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

- Note 16 – Intangible assets
- Note 17 – Deferred tax assets
- Note 19 – Property, plant and equipment

During the year in aligning the product strategy to the market conditions the Board has adopted the position of amortising ATM assets over 5 years as against the market trend of six to ten years.

3 SIGNIFICANT ACCOUNTING POLICIES

These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for iCash Payments Systems Limited as the consolidated entity consisting of iCash Payment Systems Limited and its subsidiary. A note containing the parent entity's results are shown in the notes to the financial report.

a Basis of consolidation

i Business combinations

Change in accounting policy

The Group has adopted revised AASB 3 Business Combinations (2008) and amended AASB 127 Consolidated and Separate Financial Statements (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

The Group has applied the acquisition method for the business combination.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another

Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

ii Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

a Basis of consolidation (continued)

iii Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed off.

b Foreign currency

i Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in statement of comprehensive income, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation (see (ii) below), or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

ii Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at exchange rates at the dates of the transactions.

Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

Foreign currency differences are recognised directly in equity through foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to Statement of comprehensive income. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c Property, Plant and equipment

i Recognition and measurement

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

ii Subsequent costs

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

iii Depreciation

Depreciation for 2011 and 2010 is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Property, plant and equipment – 20% (2010: 10%)

iv Impairment

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

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

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

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

Impairment losses on Property, plant and equipment have been recognised in the statement of comprehensive income this year.

An item of Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognised.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

d Intangible assets

i Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in statement of comprehensive income. Goodwill is assessed for impairment on an annual basis.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

ii Other intangible assets

Development activities

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Capitalised development expenditure is recognised at cost and will be amortised from the date it is available for use.

Other intangible assets

Other intangibles that are acquired by the Group, which do have finite useful lives, are measured at cost less accumulated impairment losses. Amortisation is recognised in statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

e Financial instruments

i Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments at fair value through profit or loss, any directly attributable transactions costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instruments. Financial assets are derecognised if the Group's contractual rights to the cash flow from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all the risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sale of assets. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e Financial instruments (continued)

i Non-derivative financial instruments (continued)

Cash and Cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included in the component or cash and cash equivalents for the purpose of statement of cash flows.

Accounting for finance income and expense is discussed in Note 3(i).

Available-for-sale financial assets

The Group's investment in the equity securities and certain other investments not classified in any other category are classified as Available-for-sale financial assets.

Purchases and sales on investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred out and the Company has transferred substantially all the risks and rewards of ownership.

Subsequent to initial recognition, available-for-sale financial assets are carried at fair value to the extent that an active market can be deemed to exist or an appropriate fair value methodology can be determined. Where there is no active market or where there is no other more appropriate valuation technique; cost, less any impairment losses is deemed the most appropriate estimate of fair value. Unrealised gains and losses arising from changes in fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investment revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less impairment losses.

ii Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

iii Compound instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e Financial instruments (continued)

iii Compound instruments (continued)

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognised in statement of comprehensive income. Distributions to the equity holders are recognised against equity, net of any tax benefit.

f Inventories

Inventories are valued at the lower of cost or net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on the basis of weighted average costs.

Net realisable value represents the estimated selling price less all estimated costs of completion and cost necessary to make sale.

g Impairment

i Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in statement of comprehensive income. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

ii Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

g Impairment (continued)

ii Non-financial assets (continued)

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h Revenue

i Goods sold

Revenue from sale of goods is measured at the fair value of the consideration received, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable, the associated and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount can be measured reliably.

ii Services

Revenue from services rendered is recognised when the services are provided, it is probable that future economic benefits associated with the transaction will flow to the entity, and the amount can be measured reliably.

iii Transaction Fees

Transaction (or ATM) fees is recognised in proportion to the stage of completion of the each transaction, i.e. once the transaction occurs on the ATM.

i Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit and loss, using effective interest method

Finance expenses comprise interest expense on borrowings. All borrowings costs are recognised in profit and loss using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

j Employee benefits

Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long term benefits

The Group's net obligation in respect of long term benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date.

k Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

l Income tax

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

l Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

m Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from the taxation authority is included as part of receivables in the statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from the taxation authority.

n Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

n Leases (continued)

Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases in which the Group passes substantially all the risks and benefits of ownership of the leased asset are recorded initially as a sale in the statement of comprehensive income and subsequent lease receipts are recognized as fee income in the statement of comprehensive income on a straight-line basis over the lease term.

o Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

p Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share. Comparative information may also be restated to achieve consistency in disclosure with current year classifications.

q New standards and interpretations adopted

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the Group:

Standard name	Effective date for entity	Requirements	Impact
AASB 124 Related Party Disclosures and amending standard AASB 2009-12	30 June 2012	- Clarification of the definition of a related party - Requirement to disclose commitments to related parties - Disclosure exemptions for government related entities	Minimal impact expected.
AASB 9 Financial Instruments and amending standards AASB 2009-11 / AASB 2010-7	30 June 2014	- Changes to the classification and measurement requirements for financial assets and financial liabilities. - New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**q New standards and interpretations adopted (continued)**

Standard name	Effective date for entity	Requirements	Impact
AASB 2010-4 / 2010-5 Amendments and further amendments to Australian Accounting Standards arising from the Annual Improvements Project	30 June 2012	Makes changes to a number of standards / interpretations including: - Clarification of the content of the statement of changes in equity - Financial instrument disclosures - Fair value of award credits	No impact expected.
AASB 2010-6 Amendment to Australian Accounting Standards – Disclosures on transfers of financial assets	30 June 2012	Requires additional disclosures regarding for example, remaining risks where an entity has transferred a financial asset	No impact expected.
AASB 2010-8 Amendment to Australian Accounting Standards – Deferred tax: Recovery of underlying assets	30 June 2013	Adds a presumption to AASB 112 that the recovery of the carrying amount of an investment property at fair value will be through sale.	No impact expected.
AASB 1054 Additional Australian disclosures / AASB 2011-1 Amendments to Australian Accounting Standards arising from Trans-Tasman convergence	30 June 2012	Collates the Australian specific disclosures into one Accounting Standard rather than including them within a number of different standards.	Little impact since most of the disclosures required by AASB 1054 are already included within the financial statements.
AASB 10 Consolidated Financial Statements / AASB 11 Joint Arrangements / AASB 12 Disclosures of Interests in Other Entities, AASB 127 Separate Financial Statements and AASB 128 Investments in Associates. [These are expected to be released by the AASB in June / July].	30 June 2014	AASB 10 includes a new definition of control, which is used to determine which entities are consolidated, and describes consolidation procedures. The Standard provides additional guidance to assist in the determination of control where this is difficult to assess. AASB 11 focuses on the rights and obligations of a joint venture arrangement, rather than its legal form (as is currently the case). IFRS 11 requires equity accounting for joint ventures, eliminating proportionate consolidation as an accounting choice. AASB 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	The Group will review its controlled entities to determine whether they should be consolidated under AASB 10, no changes are anticipated. The group is not party to any joint ventures and therefore minimal impact is expected due to the adoption of AASB 11. Additional disclosures will be required under AASB 12 but there will be no changes to reported position and performance.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**q New standards and interpretations adopted (continued)**

Standard name	Effective date for entity	Requirements	Impact
AASB 13 Fair Value Measurement	30 June 2014	AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted. There are a number of additional disclosure requirements.	Fair value estimates currently made by the entity will be revised and potential changes to reported values may be required. The entity has not yet determined the magnitude of any changes which may be needed. Some additional disclosures will be needed.

The directors of the Company do not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Company's financial statements.

4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

ii Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets. Where this cannot be reliably estimated, management has determined that costs incurred to date are the best estimates of fair value.

In this instance, intangible assets are still tested for impairment and assessed against the recognition criteria as set out in the Australian Accounting Standard to make sure that they are not overstated.

iii Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

iv Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

4 DETERMINATION OF FAIR VALUES (continued)

v Share based payments

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

vi Financial instruments

The fair value of financial instruments is determined with reference to active market. Where no active market exists for a specific asset, value of identical or similar asset is used. In other cases, valuation and estimation techniques like discounted cash flows are used.

5 FINANCIAL RISK MANAGEMENT

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

i Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. For the Company it arises from receivables due from subsidiaries.

Trade and other receivables

The Company's and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

5 FINANCIAL RISK MANAGEMENT (continued)

ii *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

iii *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities, being the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are AUD and Korean WON (WON).

Interest rate risk

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily WON, but also AUD. This provides an economic hedge without derivatives being entered into and therefore no application of hedge accounting.

Other market price risk

Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board.

Capital management

When managing capital the Board's objective is to ensure the entity continues as a going concern as well as to maintain returns to the shareholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the Company.

The Board of Directors is responsible for assessing financial risks, related controls and other financial risk management strategies. The Company deploys assets and liabilities so as to manage the risk of commercially appropriate levels, bearing in mind the constraints imposed by the consolidated entity's size, results and other financial circumstances. The Company aims to balance opportunities to improve profitability against related risks of losses of assets or the incurrence of additional liabilities.

6 OPERATING SEGMENTS

Determination and presentation of operating segments

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, who are the Group's chief operating decision makers. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows:

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

6 OPERATING SEGMENTS (continued)

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

The consolidated entity comprises two operating segments, being Australia and Korea and in only one business segment, being the manufacture, sale and operation of banking technology equipment.

A corporate segment is reported separately from the Australian operating segment to reflect internal management reporting practice.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

6 OPERATING SEGMENTS (continued)

	Australia		Corporate		Korea		Eliminations		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total external revenue	12,949,747	14,256,356	-	-	57,473,979	32,464,181	(1,391,230)^	(4,406,574)	69,032,496	42,313,963
Inter segments revenue	-	-	-	-	-	-	-	-	-	-
Other revenue	1,312,373	142,908	-	-	-	14,907	-	(37,827)	1,312,373	119,988
Total revenue	14,262,120	14,399,264	-	-	57,473,979	32,479,088	(1,391,230)	(4,444,401)	70,344,869	42,433,951
Profit/(loss) before tax	(1,537,681)	4,380,207	(5,695,971)	(1,908,199)	9,496,586	1,772,273	(340,532)^	-	1,922,402	4,244,281
Income tax benefit/(expense)	96,247	(528,862)	356,522	(230,394)	(2,154,004)	895,715	-	-	(1,701,235)	136,459
Profit/(loss) for the year	(1,441,434)	3,851,345	(5,339,449)	(2,138,593)	7,342,582	2,667,988	(340,532)	-	221,167	4,380,740
Other comprehensive income	(442,000)	-	(893,538)	(27,492)	-	(24,176)	-	-	(1,335,538)	(51,668)
Non-controlling interest	-	-	-	-	(3,845,179)	(1,278,407)	-	-	(3,845,179)	(1,278,407)
Total comprehensive income attributable to the parent entity	(1,883,434)	3,851,345	(6,232,987)	(2,166,085)	3,497,403	1,365,405	(340,532)	-	(4,959,550)	3,050,665
Assets										
Segment assets	32,527,528	37,310,254	-	-	23,664,824	24,069,416	(2,667,455)	(3,136,158)	53,524,897	58,243,512
Unallocated assets	-	-	-	-	-	-	-	-	-	-
Total assets	32,527,528	37,310,254	-	-	23,664,824	24,069,416	(2,667,455)	(3,136,158)	53,524,897	58,243,512
Liabilities										
Segment liabilities	6,346,899	3,915,845	-	-	11,481,085	17,843,450	(2,326,924)	(1,580,427)	15,501,060	20,178,868
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-
Total liabilities	6,346,899	3,915,845	-	-	11,481,085	17,843,450	(2,326,924)	(1,580,427)	15,501,060	20,178,868
Capital expenditure	2,640,955	2,107,879	-	-	1,155,012	1,188,669	(317,830)	-	3,478,137	3,296,548
Depreciation & amortisation	769,596	524,338	-	-	1,519,262	1,338,113	-	-	2,288,858	1,862,451
Impairment	2,171,535	-	2,959,863	-	655,834	260,146	-	-	5,787,232	260,146

^ Revenue and profit elimination, relates to Korea.

	2011 \$	2010 \$
7 REVENUE		
Product revenue	53,269,039	28,203,039
Transaction fees	10,450,177	9,984,928
Service revenue	5,313,280	4,125,996
Other revenue	1,312,373	119,988
	<u>70,344,869</u>	<u>42,433,951</u>
8 EXPENSES		
a Network expenses		
Cost of sales	38,261,674	20,577,768
Transaction based payments	3,468,884	1,558,629
Other ATM expenses	5,784,091	4,424,365
	<u>47,514,649</u>	<u>26,560,762</u>
b Employee benefits expense		
Wages, salaries and consultancy fees	3,820,590	3,039,304
Other associated personnel expenses	878,268	573,573
Contributions to defined contribution benefit funds	187,806	124,189
Contributions to retirement and severance benefit	352,232	271,626
Increase in liability for annual leave	68,358	41,820
Increase in liability for long service leave	40,990	-
Employee share based payments	20,339	240,491
	<u>5,368,583</u>	<u>4,291,003</u>
c Other expenses		
Occupancy costs	467,047	494,287
Management and professional fees	899,727	1,339,458
Development costs	1,460,203	1,266,227
Administration and other expenses	1,881,672	1,929,029
One company transaction corporate costs (i)	899,658	-
GST expense (ii)	1,423,122	-
Non-recurring corporate costs	152,224	-
	<u>7,183,653</u>	<u>5,029,001</u>
Total administrative expenses	<u>12,552,236</u>	<u>9,320,004</u>

(i) During 2011 iCash continued to incur material expenditure associated with the acquisition of the remaining shares in its Korean subsidiary NeoICP Korea Inc. On the 1st June 2011 the directors announced the timing of this should be completed in first half of 2012. The costs associated with this activity during year of \$899,658 are non-recurring.

(ii) As previously disclosed, legislative change from March 2009 gave rise to a significant change in the method adopted by ATM operators with regard to GST. During 2011 iCash provided full disclosure to the ATO and finalised an assessment of \$1,423,123, including associated costs. This amount is recognised in full this financial year.

8	EXPENSES (continued)	2011	2010
		\$	\$
d	Depreciation, amortisation and impairment expenses		
	Depreciation and amortisation of non-current assets	2,288,858	1,862,451
	Impairment (i)	5,787,232	260,486
		<u>8,076,090</u>	<u>2,122,937</u>

(i) Immediately prior to the end of the financial year a detailed business review was finalised. This report highlighted that the carrying value and the period of amortisation of field deployed assets was no longer reflective of the business environment. Technology enhancements and regulatory change are resulting in the life cycle of deployed ATM's reducing significantly. Additionally, the realignment of the business to focus on new markets has resulted in the Board taking several non- recurring charges over assets associated with previous market entries into China and New Zealand.

	Australia	Korea	Total
Stock-China	370,800	-	370,800
Intangible assets-development activities	584,181	-	584,181
Intangible assets-other	487,929	655,834	1,143,763
Property, plant and equipment	1,880,619	-	1,880,619
BCT loan	1,669,644	-	1,669,644
Other non-current assets	138,225	-	138,225
	<u>5,131,398</u>	<u>655,834</u>	<u>5,787,232</u>

		2011	2010
		\$	\$
e	Financing cost		
	Interest received	165,462	304,095
	Interest paid	(444,954)	(490,062)
		<u>(279,492)</u>	<u>(185,967)</u>

9 INCOME TAX EXPENSE/(BENEFIT)

a	Deferred tax expense/(benefit)	(258,502)	(1,348,832)
	Current tax expense	1,959,737	1,212,373
		<u>1,701,235</u>	<u>(136,459)</u>

b Numerical reconciliation between tax expense and pre-tax accounting profit

The prima facie tax on profit from ordinary activities before tax is reconciled to the income tax as follows:

Prima facie income tax expense calculated at 30% on the profit from ordinary activities (2010: 30%)	576,721	1,273,284
Tax effect of:		
Non-deductible items	386,844	75,547
Effect of tax in foreign jurisdictions	1,882,128	(265,841)
Timing differences	(258,502)	(122,466)
Prior year tax losses utilised	837,313	(195,959)
Current year tax losses not brought into account	(1,723,269)	(901,024)
	<u>1,701,235</u>	<u>(136,459)</u>
Total income tax expense/(benefit)	<u>1,701,235</u>	<u>(136,459)</u>

	2011	2010
	\$	\$
9 INCOME TAX EXPENSE/(BENEFIT) (continued)		
c Income tax recognised in other comprehensive income		
Before tax		
- Movement in foreign currency translation reserve	(893,538)	(51,668)
- Fair value revaluation on financial instruments	(442,000)	-
Tax expense/(benefit)	-	-
Net of tax	<u>(1,335,538)</u>	<u>(51,668)</u>
10 EARNINGS PER SHARE	Cents	Cents
	per share	per share
Basic profit/(loss) per share*	(4.03)	3.90
Diluted profit/(loss) per share*	(4.03)	3.90
Net profit/(loss)	(3,624,012)	3,102,333
Profit used in the calculation of basic EPS and diluted EPS*	<u>(3,624,012)</u>	<u>3,102,333</u>
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS*	<u>89,882,407</u>	<u>79,287,008</u>
*Post consolidation shares. The numbers reported for the prior period have been adjusted and restated.		
11 CASH AND CASH EQUIVALENTS		
Current		
Cash on hand	1,300	1,300
Cash at bank	7,157,069	4,666,214
	<u>7,158,369</u>	<u>4,667,514</u>
12 TRADE AND OTHER RECEIVABLES		
Current		
Trade debtors	6,193,848	7,057,161
Provision for doubtful debts	(75,883)	(77,198)
Other debtors	727,998	2,259,021
	<u>6,845,963</u>	<u>9,238,984</u>

	2011	2010
	\$	\$
12 TRADE AND OTHER RECEIVABLES (continued)		
Non-current		
Other debtors	215,989	217,775
Loan to BCT (i)	1,669,644	1,684,245
Provision for doubtful debts	(1,868,120)	(195,997)
	<u>17,513</u>	<u>1,706,023</u>
(i) Refer to note 8 (d) (i)		
13 OTHER FINANCIAL ASSETS		
Current		
Available-for-sale		
Other short-term investments (i)	63,047	120,146
Investing deposit (ii)	1,300,000	-
Other deposit (iii)	300,844	-
	<u>1,663,891</u>	<u>120,146</u>
Non-current		
Available-for-sale		
Shares in listed entities (iv)	78,000	-
Unlisted securities	1,882,091	611,950
	<u>1,960,091</u>	<u>611,950</u>
(i) Other short-term investments are used as security for some of the consolidated entity's short-term liabilities.		
(ii) Prepayment made for the right to purchase shares in NeoICP Korea Inc., as part of the 'One-Company' transaction.		
(iii) Deposit paid by Korean subsidiary NeoICP Korea Inc. for a cancellable contract to buy land for a potential relocation of its office and factory. This deposit is not refundable. (KRW 343,564,000)		
(iv) At cost	520,000	-
Revaluation decrement during the year^	(442,000)	-
	<u>78,000</u>	<u>-</u>
^Refer to note 24 - Reserves		
14 INVENTORY		
Inventories (i)	6,912,444	9,664,610
Provision for obsolescence	(726,122)	(249,246)
	<u>6,186,322</u>	<u>9,415,364</u>
(i) Refer to note 8 (d) (i)		

	2011	2010
	\$	\$
15 OTHER ASSETS		
Current		
Prepayments	146,923	614,318
Lease receivable	67,400	-
	<u>214,323</u>	<u>614,318</u>
Non-current		
Security	442,284	428,982
Deferred commission and referrals (i)	1,014,633	502,422
Lease receivable	269,600	-
Other	126,307	138,586
	<u>1,852,824</u>	<u>1,069,990</u>
(i) Deferred commission and referrals		
At cost	1,267,708	552,340
Less: Amortisation	(253,075)	(49,918)
	<u>1,014,633</u>	<u>502,422</u>
<i>Movements in carrying amount</i>		
Balance at the beginning of the year	502,422	219,429
Additions	715,368	318,590
Amortisation	(64,932)	(35,597)
Impairment (ii)	(138,225)	-
	<u>1,014,633</u>	<u>502,422</u>
Carrying amount at the end of year	<u>1,014,633</u>	<u>502,422</u>
(ii) Refer to note 8 (d) (i)		
16 INTANGIBLE ASSETS		
Non-current		
Goodwill	13,934,226	13,934,226
Other intangible assets	5,697,477	7,770,365
Other intangible assets – development activities	-	584,181
ATM network - other	1,135,461	828,461
	<u>20,767,164</u>	<u>23,117,233</u>
<i>Movements during the year</i>		
Goodwill		
Balance at July 1	13,934,226	12,239,660
Acquisitions through business combinations	-	1,694,566
Impairment losses	-	-
	<u>13,934,226</u>	<u>13,934,226</u>
Balance at June 30	<u>13,934,226</u>	<u>13,934,226</u>

	2011	2010
	\$	\$
16 INTANGIBLE ASSETS (continued)		
Other intangible assets		
Balance at July 1	7,770,365	4,157,547
Additions during the year	168,961	4,923,909
Exchange differences	(262,109)	-
Amortisation	(835,977)	(1,159,985)
Impairment (i)	(1,143,763)	(151,106)
	<u>5,697,477</u>	<u>7,770,365</u>
Other intangible assets – development activities		
Balance at July 1	584,181	584,181
Additions during the year	-	-
Impairment (i)	(584,181)	-
	<u>-</u>	<u>584,181</u>
ATM Network - other		
Balance at July 1	828,461	828,461
Additions during the year	307,000	-
Impairment	-	-
	<u>1,135,461</u>	<u>828,461</u>

(i) Refer to note 8 (d) (i)

The Board is of the opinion that intangible assets arising from business combinations have an indefinite life because the business combinations included processes and procedures, which provide efficiencies in the operation of the business. The size of the business has provided a market share of substance sufficient to enable future growth through market recognition and utilisation of economies of scale arising from control of overheads.

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Consolidated	
	2011	2010
	\$	\$
Australian operations	10,851,904	10,851,904
Korean operations	3,082,322	3,082,322
	<u>13,934,226</u>	<u>13,934,226</u>

16 INTANGIBLE ASSETS (continued)*Australian Operations*

The recoverable amount of this cash-generating unit was based on its value in use. The carrying amount of the unit was determined to be lower than its recoverable amount and therefore no impairment is required. (2010: nil).

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the five-year business plan, including organic growth of the ATM fleet in line with recent results.
- Revenue was projected based on existing contracts with current transaction levels. Management targets to achieve annual revenue in excess of these amounts.
- Pricing has been based on current market rates and the management do not expect any decline in these rates. Costs have been extrapolated at a growth of 5%, which is considered more than adequate with efficiencies from economies of scale.

The post tax discount rate used for determining the net present value was 14%. Should that rate increase by 1%, this will not affect the decision that the asset is not impaired.

Korean Operations

The recoverable amount of this cash-generating unit was based on its value in use. The carrying amount of the unit was determined to be lower than its recoverable amount and therefore no impairment is required. (2010: nil).

The recoverable amount of this cash-generating unit was based on its value in use. The carrying amount of the unit was determined to be lower than its recoverable amount and therefore no impairment is required. (2010: nil).

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the five year business plan, including contractual forecasts.
- Revenue was projected based on existing contracts.

17 DEFERRED TAX ASSETS	2011	2010
	\$	\$
Non-current		
Provision	782,316	523,814
Tax loss	611,957	1,318,715
	<hr/> 1,394,273	<hr/> 1,842,529

	2011	2010
	\$	\$
17 DEFERRED TAX ASSETS (continued)		
Unrecognised deferred tax losses		
Deferred tax assets have not been recognised in respect of the following items:		
Deductible temporary differences	-	-
Tax losses	4,235,775	-
	<u>4,235,775</u>	<u>-</u>
	<u>4,235,775</u>	<u>-</u>

The deductible temporary differenced and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

18 CONTROLLED ENTITIES

	Country of Incorporation	Consolidated entity interest		Investment	
		% owned		at cost	
		2011	2010	2011	2010
		%	%	\$	\$
<i>Parent Entity</i>					
iCash Payment Systems Limited	Aust	-	-	-	-
<i>Directly controlled</i>					
CashPod ATM Pty Ltd (previous name ICA Entertainment Pty Ltd)	Aust	100	100	100	100
iCash International Pty Ltd	Aust	100	100	100	100
iCash China Pty Ltd	Aust	100	100	100	100
iCash Korea Pty Ltd	Aust	100	100	100	100
ATM One Pty Ltd	Aust	100	100	1,894,722	1,894,722
iCash Asia Pty Ltd	Aust	100	100	100	100
Sonic Global Solutions Pty Ltd	Aust	100	100	2,500,000	2,500,000
Australian Pubcash Pty Ltd	Aust	100	100	100	100
Transact Pty Ltd	Aust	100	100	100	100
iCash Australia Pty Ltd	Aust	100	100	100	100
iCash Services Pty Ltd	Aust	100	100	100	100
Transact ATM Finance Pty Ltd	Aust	100	100	100	100
Transact ATM Services Pty Ltd	Aust	100	100	100	100
NeoICP Korea Inc.	Korea	47.11	51.89	5,695,077	5,539,077
Wiz Mechatronics Co. Ltd	Korea	24.03	26.52	260,025	260,025

	2011	2010
	\$	\$
19 PROPERTY, PLANT AND EQUIPMENT		
Non-current		
Property, plant and equipment		
At cost	12,640,343	10,069,639
Less: Accumulated depreciation and impairment	<u>(7,176,179)</u>	<u>(4,230,178)</u>
	<u>5,464,164</u>	<u>5,839,461</u>
 Movements in carrying amounts		
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:		
Balance at the beginning of year	5,839,461	4,400,832
Additions	3,008,332	2,373,140
Dispositions	(8,724)	-
Assets acquired as a result of business combination	-	256,858
Transfer to other non-current assets	-	(318,590)
Exchange differences	(125,813)	-
Impairment (i)	(1,880,619)	-
Depreciation	<u>(1,368,473)</u>	<u>(872,779)</u>
Carrying amount at the end of year	<u>5,464,164</u>	<u>5,839,461</u>
(i) Refer to note 8 (d) (i)		
20 TRADE AND OTHER PAYABLES		
Current		
Trade creditors	5,597,176	6,801,946
Sundry creditors and accrued expenses	<u>4,044,728</u>	<u>1,846,956</u>
	<u>9,641,904</u>	<u>8,648,902</u>
21 FINANCIAL LIABILITIES		
Current		
Bank overdraft (i)	486,085	-
Short-term borrowings (ii)	3,847,681	8,688,850
Convertible bonds	-	1,332,345
Other financial liabilities	<u>100,272</u>	<u>-</u>
	<u>4,434,038</u>	<u>10,021,195</u>
Non-current		
Long-term borrowings and payables (iii)	<u>159,116</u>	<u>440,525</u>

21 FINANCIAL LIABILITIES (continued)

- (i) Bank overdraft relates to the drawn balance of an overdraft facility in Australia of \$2,000,000. This overdraft facility is secured by a fixed and floating charge over the assets of the following entities controlled by the Group:

- ATM One Pty Ltd	- iCash International Pty Ltd
- CashPod ATM Pty Ltd	- iCash Korea Pty Ltd
- iCash Australia Pty Ltd	- iCash Asia Pty Ltd
- iCash Services Pty Ltd	- Transact Pty Ltd
- Transact ATM Finance Pty Ltd	

The interest rate is 9.93%.

During the current year there were no defaults or breaches on the above facility.

- (ii) Short-term borrowings – debt facilities with interest rates ranging from 3.73% to 8.44% per annum.
- (iii) Long-term borrowings and payables – interest rates on long-term borrowings ranges from 4.25% to 4.43% per annum.

	2011	2010
	\$	\$
Financing arrangements		
At the balance date the Group has access to the following lines of credit:		
<i>Total facilities available:</i>		
Working Capital facility	3,814,124	3,130,076
Import Financing facility^	-	2,947,807
Bank Loan - Material Funding	1,838,880	1,920,967
Other	468,128	690,000
	6,121,132	8,688,850
<i>Facilities utilised at balance date:</i>		
Working Capital facility	2,300,209	3,130,076
Import Financing facility^	-	2,947,807
Bank Loan - Material Funding	1,824,817	1,920,967
Other	468,128	690,000
	4,593,154	8,688,850
<i>Facilities not utilised at balance date:</i>		
Working Capital facility	1,513,915	-
Bank Loan - Material Funding	14,063	-
	1,527,978	-

^facility limits are defined in USD and denominated in JPY.

	2011 \$	2010 \$
22 PROVISIONS		
Current		
Provision for holiday pay	<u>223,537</u>	155,179
Non-current		
Provision for long service leave	40,990	-
Provision for retirement benefits	<u>1,001,475</u>	913,067
	<u>1,042,465</u>	913,067

Nature and purpose of Provisions

Provision for holiday pay

Provision for holiday pay represents employee benefits for annual leave in respect of present obligations resulting from employees' services provided to balance date.

Provision for long service leave

Provision for long service leave holiday pay represents employee benefits for long service in respect of present obligations resulting from employees' services provided to balance date.

Provision for retirement benefits

The Group's foreign subsidiary has a provision for retirement benefit for all employees who have worked more than one year in the company.

Movements during the year

Provision for holiday pay

Balance at July 1	155,179	22,315
Additions during the year	<u>68,358</u>	132,864
Balance at June 30	<u>223,537</u>	155,179

Provision for long service leave

Balance at July 1	-	-
Additions during the year	<u>40,990</u>	-
Balance at June 30	<u>40,990</u>	-

Provision for retirement benefits

Balance at July 1	913,067	1,014,307
Exchange differences	(80,912)	(21,662)
Additions of allowance during the year	517,221	440,285
Deductions during the year	<u>(347,901)</u>	(519,863)
Balance at June 30	<u>1,001,475</u>	913,067

23 SHARE CAPITAL**a Ordinary shares**

	Consolidated		Consolidated	
	June 2011	June 2010	June 2011	June 2010
	Shares*	Shares*	\$	\$
Ordinary shares				
Share capital	92,331,975	85,346,879	53,333,113	49,431,494
<i>Movements during the year</i>				
Balance at beginning of the period	85,346,879	71,996,734	49,431,494	43,248,994
November 2010 (i)	6,985,096	-	3,911,654	-
February 2010 (ii)	-	3,300,000	-	1,802,500
November 2009 (iii)	-	9,000,000	-	4,500,000
October 2009 (iv)	-	1,050,000	-	105,000
Share issue costs	-	-	(10,035)	(225,000)
Rounding due to consolidation	-	145	-	-
Balance at the end of the period	92,331,975	85,346,879	53,333,113	49,431,494

(i) In November 2010 6,985,096 ordinary shares were issued at 56 cents per share.

(ii) In February 2010, 3,050,000 ordinary shares were issued at 55 cents per share and 250,000 ordinary shares were issued at fair value of 50 cents per share.

(iii) In November 2009, the Company raised \$4,500,000 through placement of 9,000,000 ordinary shares at 50 cents per share.

(iv) In October 2009, 1,050,000 shares were issued at 10 cents per share raising \$105,000.

*Post consolidation shares. The numbers reported for the prior period have been adjusted and restated.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its issued shares.

b Share Options

There were no share options issued during the year.

On 24 February 2010, pursuant to shareholders approval in the Annual General Meeting held on 26 November 2009, 250,000 ordinary shares and 2,100,000 options – 700,000 per tranche, subject to vesting conditions, were issued to Mr. Ghi Jin Kim as performance bonus for assisting the Company in respect of the negotiation and execution of the ATM Supply Agreement with the Lotte Group. The ordinary shares were issued for nil cash consideration and the fair value of the shares on grant date \$125,000 has been expensed during the year. The details of the options along with the exercise price, fair value at the grant date and vesting conditions are as follows:

23 SHARE CAPITAL (continued)**b Share Options (continued)**

	Numbers of options	Grant date	Fair value at grant date	Exercise price (\$)	Expiry date
Tranche A	700,000	24/02/2010	\$44,876	1.50	two years following the vesting date
Tranche B	700,000	24/02/2010	\$39,393	2.00	two years following the vesting date
Tranche C	700,000	24/02/2010	\$32,223	2.50	two years following the vesting date

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and vesting conditions.

The options will vest in as follows:

Tranche A Options will vest

- on the date of completion of the Initial Order, including the supply and/or deployment by the Company of 1,000 ATMs to the Lotte Group and full payment being made by the Lotte Group pursuant to the ATM Supply Agreement.

If the conditions applicable to the Tranche A Options are not satisfied, then the options will not vest and will be cancelled;

Tranche B Options will vest on the date on which all of the following conditions are satisfied:

- the receipt by the Company or an associate of the Company of written confirmation from the Lotte Group of an order for a further 1,000 ATMs in the first year following completion of the Initial Order (Second Minimum Order) on terms satisfactory to the Company;
- the completion and supply and/or deployment by the Company of the Second Minimum Order to the Lotte Group; and
- full payment being made by the Lotte Group in respect of the Second Minimum Order to the Company.

If the conditions applicable to the Tranche B Options are not satisfied, then neither the Tranche B Options nor the Tranche C Options will and will be cancelled; and

Tranche C Options will vest on the date on which all of the following conditions are satisfied:

- the receipt by the Company or an associate of the Company of written confirmation from the Lotte Group of an order for a further 1,000 ATMs in the first year following completion of the Second Minimum Order (Third Minimum Order) on terms satisfactory to the Company;
- the completion and supply and/or deployment by the Company of the Third Minimum Order to the Lotte Group; and
- full payment being made by the Lotte Group to the Company in respect of the Third Minimum Order.

If the conditions applicable to the Tranche C Options are not satisfied, then the Tranche C Options will not and will be cancelled.

The Options shall expire two years following the vesting date.

23 SHARE CAPITAL (continued)**b Share Options (continued)**

During the year Tranche A and B options vested but have not been exercised. The details of these vested options are as follows:

	Numbers of options	Grant date	Vesting date	Exercise price (\$)	Expiry date
Tranche A	700,000	24/02/2010	01/09/2010	1.50	31/08/2012
Tranche B	700,000	24/02/2010	01/03/2011	2.00	01/03/2013

Tranche C options have not yet vested.

24 RESERVES	2011	2010
	\$	\$
Equity options reserve	270,248	249,909
Foreign currency translation reserve	(1,999,900)	(1,106,362)
Financial instrument - revaluation reserve	(442,000)	-
	(2,171,652)	(856,453)

Nature and purpose of Reserves*Equity options reserve*

The equity options reserve represents the options issued at fair value on grant date.

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustained foreign operations.

Financial instrument - revaluation reserve

The revaluation reserve represents the movements in fair value of the financial instruments.

*Movements during the year***Equity options reserve**

Balance at July 1	249,909	1,453,238
Transfer to accumulated losses	-	(1,318,820)
Movement during the year (i)	20,339	115,491
Balance at June 30	270,248	249,909

(i) Movement of \$20,339 represents the re-valuation of options granted on 24 February 2010.

Foreign currency translation reserve

Balance at July 1	(1,106,362)	(1,054,694)
Movement during the year	(893,538)	(51,668)
Balance at June 30	(1,999,900)	(1,106,362)

Financial instrument - revaluation reserve

Balance at July 1	-	-
Movement during the year (i)	(442,000)	-
Balance at June 30	(442,000)	-

(i) Refer to note 13 – Other financial assets.

	2011 \$	2010 \$
25 ACCUMULATED LOSSES		
Balance at July 1	(14,740,503)	(19,161,656)
Effect of movement in non-controlling interest	(146,317)	-
Acquisition of economic interest in subsidiary by issue of shares	(3,421,650)	-
Transfer from equity options reserve	-	1,318,820
Profit for the year	(3,624,012)	3,102,333
	<u>(21,932,482)</u>	<u>(14,740,503)</u>
26 NON-CONTROLLING INTERESTS		
Non-controlling interest in controlled entities comprise		
Share capital	5,493,063	4,285,582
Accumulated losses	3,301,795	(55,476)
	<u>8,794,858</u>	<u>4,230,106</u>
27 NOTES TO THE STATEMENT OF CASH FLOWS		
i. Reconciliation of cash		
Cash at bank and on hand	7,158,369	4,667,514
Overdraft	(486,085)	-
	<u>6,672,284</u>	<u>4,667,514</u>
ii. Reconciliation of net cash from operating activities		
Profit for the year	221,167	4,380,740
Non-cash flows in profit from ordinary activities:		
Depreciation and amortisation expense	2,288,858	2,214,779
Impairment and write-off of assets	5,787,232	-
Income tax benefit	433,047	(141,768)
Share options expense	20,339	240,491
Other non-cash movements	11,154	56,664
Foreign exchange	(64,635)	243,752
<i>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries</i>		
Change in trade and term debtors	(228,341)	(4,758,161)
Change in prepayments and other debtors	(443,575)	(282,217)
Change in inventory	2,470,991	(6,106,585)
Change in current investments	(91,109)	-
Change in trade creditors	565,908	4,449,948
Change in provisions	(250,667)	103,028
Change in employee entitlements	741,327	9,024
	<u>11,461,696</u>	<u>409,695</u>

28 FINANCIAL INSTRUMENTS

i Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2011	2010
	\$	\$
Cash and cash equivalents	7,158,369	4,667,514
Trade and other receivables	6,845,963	9,238,984
Other financial assets	1,663,891	120,146
	15,668,223	14,026,644

The Group's maximum exposure to credit risk for trade receivables at reporting date by type of customer was:

	Carrying amount	
	2011	2010
	\$	\$
Wholesale customers	6,193,848	7,057,161

The Group's most significant customer, Korean wholesaler, accounts for \$30,571,500 of the trade receivables carrying amount at 30 June 2011 (2010: \$13,676,538).

Impairment losses

None of the consolidated entity's current receivables are considered to be unrecoverable, other than where a provision has been provided. Only 1.10% (2010: 0.82%) of the total receivables at 30 June 2011 were considered necessary to provide for.

In addition to the above, the Company fully impaired the non-current convertible loan receivable from Beijing Yinkatong Technology Co. Ltd. for \$1,669,664. Refer to 8 (d) (i).

ii Liquidity risk

The Group does not have liquidity risk at the balance date or the date of this report.

Maturity analysis of the financial assets and liabilities based on management's expectation.

The risk implied from the values shown in the table below, reflects a balanced view of the cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the investment in working capital such as inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as enable an effective controlling of the future risks the directors monitor the expected settlement of financial assets and liabilities.

28 FINANCIAL INSTRUMENTS (continued)**ii Liquidity risk (continued)**

Year ended 30 June 2011	Less than 6 months	6-12 months	1-5 years	Greater than 5 years	Total
	\$	\$	\$	\$	\$
Consolidated Financial Assets					
Cash and cash equivalents	7,158,369	-	-	-	7,158,369
Trade and other receivables	12,377,259	96,747	269,600	-	12,743,606
	<u>19,535,628</u>	<u>96,747</u>	<u>269,600</u>	<u>-</u>	<u>19,901,975</u>
Consolidated Financial liabilities					
Trade and other payables	9,222,556	404,295	1,444,025	-	11,070,876
Interest bearing loans and borrowings	2,596,515	1,737,250	259,388	-	4,593,153
	<u>11,819,071</u>	<u>2,141,545</u>	<u>1,703,413</u>	<u>-</u>	<u>15,664,029</u>
Net inflow/(outflow)	7,716,557	(2,044,798)	(1,433,813)	-	4,237,946
Year ended 30 June 2010	Less than 6 months	6-12 months	1-5 years	Greater than 5 years	Total
	\$	\$	\$	\$	\$
Consolidated Financial Assets					
Cash and cash equivalents	4,667,514	-	-	-	4,667,514
Trade and other receivables	16,424,740	254,658	56,234	-	16,735,632
	<u>21,092,254</u>	<u>254,658</u>	<u>56,234</u>	<u>-</u>	<u>21,403,146</u>
Consolidated Financial liabilities					
Trade and other payables	9,221,736	182,613	854,597	-	10,258,946
Interest bearing loans and borrowings	3,637,807	4,572,774	-	-	8,210,581
	<u>12,859,543</u>	<u>4,755,387</u>	<u>854,597</u>	<u>-</u>	<u>18,469,527</u>
Net inflow/(outflow)	8,232,711	(4,500,729)	(798,363)	-	2,933,619

In addition to maintaining sufficient liquid assets to meet short-term payments, at balance date, the Group has available approximately \$1,527,978 of unused credit facilities available for its immediate use.

28 FINANCIAL INSTRUMENTS (continued)**iii Currency risk***Exposure to currency risk*

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2011		30 June 2010	
	AUD	WON*	AUD	WON*
Trade payables	(3,214,530)	(3,670,993,703)	(4,576,216)	(4,762,922,565)
Gross exposure	<u>(3,214,530)</u>	<u>(3,670,993,703)</u>	<u>(4,576,216)</u>	<u>(4,762,922,565)</u>
Net exposure	<u>(3,214,530)</u>	<u>(3,670,993,703)</u>	<u>(4,576,216)</u>	<u>(4,762,922,565)</u>

* WON is the abbreviation for the Korean currency.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
	\$	\$	\$	\$
WON	1,116	1,031	1,142	1,041

Sensitivity analysis

A 10% strengthening of the Australian dollar against the following currencies at 30 June 2011 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	Equity	Profit or loss	Equity	Profit or loss
	AUD	AUD	WON	WON
30 June 2011				
10% increase	774,336	392,651	884,291,457	438,197,985
30 June 2010				
10% increase	320,680	558,441	333,763,140	95,722,195

Sensitivity analysis

A 10% weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

iv Interest rate risk*Profile*

At reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Carrying amount	
	2011	2010
	\$	\$
Fixed rate instruments		
Financial liabilities	<u>4,593,154</u>	<u>9,537,296</u>
Variable rate instruments		
Financial assets	-	-
Financial liabilities	<u>-</u>	<u>-</u>

28 FINANCIAL INSTRUMENTS (continued)**iv Interest rate risk (continued)***Fair value sensitivity analysis or fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

The Group does not have any variable rate financial assets and liabilities and therefore a cash flow sensitivity analysis is not required.

v Price risk*Exposure to market price risk*

The Group derives its sales revenue from sale of banking equipment and provision of ATM services.

Sensitivity analysis

If there were to be a 10% change in the value of sales revenue it would have the following resulting sales revenue:

	2011	2011	2011
	Current	10% increase	10% decrease
Sales revenue (Note 7)	70,344,869	77,379,356	63,310,382

Fair Values

The fair values of financial assets and liabilities, together with carrying amounts shown in the statement of financial position, are as follows:

	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	2011	2011	2010	2010
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	7,158,369	7,158,369	4,667,514	4,667,514
Trade and other receivables	6,845,963	6,845,963	9,238,984	9,238,984
Other financial assets	1,663,891	1,663,891	120,146	120,146
Financial Liabilities				
Trade and other payables	9,641,904	9,641,904	8,648,902	8,648,902
Borrowing and bank loans	4,593,154	4,593,154	10,461,720	10,461,720
Provisions	1,266,002	1,266,002	1,068,246	1,068,246

Estimation of fair values

The methods used in determining the fair values of financial instruments are discussed in Note 4.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at 30 June 2011 plus an adequate constant credit spread, and are as follows:

	2011	2010
Loans and borrowings	14%	6.0-8.0%

29 KEY MANAGEMENT PERSONNEL

The following were the key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive director

B Sechos

Executive directors

J Manny

S P (Tony) Teng

K Stewart

K S (Steve) Ham

Key management personnel

J Bird

30 RELATED PARTY DISCLOSURES**a Key management personnel compensation**

The key management personnel compensation included in 'employee benefits' (see note 8 (b)) are as follows:

	2011	2010
	\$	\$
Short-term employee benefits	1,137,102	949,505
Other long term benefits	26,515	-
Post-employment benefits	126,036	112,642
	<u>1,289,653</u>	<u>1,062,147</u>

b Key management personnel transactions

Key management personnel include directors and management personnel who have authority and responsibility for planning, directing and controlling the activities of the Group, including the five most highly remunerated executives.

c Individual Directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instrument disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the Directors' report.

d Material contracts

Details of material contracts with the Company or Group entered into during the year, or in existence at year-end follows:

Consultancy contracts

Consulting and director fees were paid to Rodby Holding Pty Ltd of \$234,000 during the year (2010:\$255,800). Sin Pyng (Tony) Teng is the director and shareholder of Rodby Holding Pty Ltd. These services are provided at terms below market rate.

Consulting fees were paid to Sherman Group Limited of \$73,333 (2010: nil). Barry Sechos is the director of Sherman Group Limited. These services are provided at terms below market rate.

30 RELATED PARTY DISCLOSURES (continued)**d Material contracts (continued)**Share sale agreement

On 1 June 2011 and as previously announced to shareholders, the Company entered into binding agreements with a number of vendors for the acquisition by the Company of a further 4,029,747 shares in the issued capital of its Korean subsidiary, NeoICP Korea Inc. The aggregate consideration payable by the Company to the vendors under the acquisition arrangement is \$33,946,473 comprising \$10,000,000 in cash and the issue to certain of the vendors of 48,376,715 new ordinary shares at 49.5 cents per share. The agreement includes Director Kyung Shik (Steve) Ham as one of the vendors.

Further details including an independent expert's report and director recommendation to shareholders will be issued in the near term.

e Options and rights over equity instruments

There was **no movement** during the reporting period in the number of share options and rights in iCash Payment Systems Limited, directly, indirectly or beneficially, by each key management person, including their related parties.

The movement during the previous period in the number of share options and rights in iCash Payment Systems Limited, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

Year ended 30 June 2010	Held at 1 July 2009	Granted as compensation	Exercised during the year	Cancelled	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Non-executive director							
Mr. Barry Sechos	-	-	-	-	-	-	-
Executive directors							
Mr. James Manny	1,000,000	-	(1,000,000)	-	-	-	-
Mr. Sin Pyng (Tony) Teng	50,000	-	(50,000)	-	-	-	-
Mr. Kim Stewart	-	-	-	-	-	-	-
Mr. Kyung Shik (Steve) Ham	-	-	-	-	-	-	-
Other key management personnel							
Mr. John Bird	-	-	-	-	-	-	-
Total	1,050,000	-	(1,050,000)	-	-	-	-

f Movements in shares

There was **no movement** during the reporting period in the number of ordinary shares in iCash Payment Systems Limited, directly, indirectly or beneficially, by each key management person, including their related parties.

The movement during the previous period in the number of share options and rights in iCash Payment Systems Limited, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

For year ended 30 June 2010	Held as 1 July 2009	Granted during the year	Received on exercise of options	Sales	Held at 30 June 2010
Non-executive director					
Mr. Barry Sechos	-	3,050,000*	-	-	3,050,000
Executive directors					
Mr. James Manny	48,619	-	1,000,000	-	1,048,619
Mr. Sin Pyng (Tony) Teng	-	-	50,000	-	50,000
Mr. Kim Stewart	225,000	-	-	-	225,000
Mr. Kyung Shik (Steave) Ham	306,925	-	-	-	306,925
Other key management personnel					
Mr. John Bird, CFO	-	-	-	-	-
Total	580,544	3,050,000	1,050,000	-	4,680,544

* Issued as part consideration for acquisition of the assets of Pulse International Pty Ltd, of which B Sechos was a director.

g Other related party transactions

	Company Balance outstanding	
	2011	2010
	\$	\$
(i) Transactions with subsidiaries		
Loans to subsidiaries (i)	17,453,074	17,317,832
Loans from subsidiaries (ii)	5,840,920	3,040,070

(i) Loans have no fixed date of repayment and are unsecured and non-interest bearing.

(ii) Loan from subsidiaries includes a \$1,300,000 loan from the Korean subsidiary, NeoICP Korea Inc. The loan is on commercial terms and has an interest rate of 9% per annum (30 June 2011: \$92,929). The loan is recorded in the Australian operating segment and parent entity information as a current liability. Subsequent to balance date, iCash Payment Systems Limited entered a re-financing loan facility with its Korean subsidiary, NeoICP Korea Inc. on behalf of its Australian operating subsidiary for 3,025,307. This facility converted the above mentioned loan \$1,392,939 and trade payable from its subsidiary of \$933,965 into a loan payable on or before 30 June 2012. The re-financing loan facility is on commercial terms and has an interest rate of 9% per annum.

(ii) Development activity

NeoICP has undertaken development work on behalf of the Company during the year. This development activity has been capitalised.

	Company Balance outstanding	
	2011	2010
	\$	\$
Development activity (i)	-	584,181

(i) Refer to note 16 – Intangible assets

(iii) Guarantee

NeoICP has on behalf of its subsidiary, Wiz Mechatronics, Inc. provided guarantees to various parties for bank loans. As at 30 June 2011 the total amount of guarantee's provided is \$608,581 (2010: \$549,702)

	2011	2010
	\$	\$
31 AUDITORS' REMUNERATION		
Audit & Review services		
Auditors of the Company – Nexia Court & Co		
Audit and half year review of the financial reports	88,965	79,742
Other auditors – Taeyong Accounting Corp (Korea)		
Audit of the financial report	29,570	4,700
	118,535	84,442
Other services		
Auditors of the Company – Nexia Court & Co		
Other services	17,873	14,885
Other auditors – Taeyong Accounting Corp (Korea)		
Other services	12,903	-
	30,776	14,885
32 COMMITMENTS		
a Operating Leases		
Non-cancellable operating lease payments are payable as follows:		
Less than one year	486,187	485,541
Between one and five years	168,004	382,055
	654,191	867,596
b Bank Guarantees		
Commonwealth Bank of Australia holds bank guarantees on behalf of the Group, as follows:		
Guarantee in respect of leased office premises	113,483	113,483
Guarantee in respect of ATM cash replenishment	-	170,000
	113,483	283,483

These guarantees are secured by the Group's term deposits totalling to \$113,483 (2010: 283,483)

33 CONTINGENT LIABILITY

NeoICP's customer entered into a lease arrangement with an independent lease company for the goods purchased from NeoICP. To facilitate the purchase, NeoICP has entered into a repurchase agreement with the lease company in the event the customer defaulted on the lease. As at 30 June 2011 the contingent obligation under the repurchase agreement is \$740,524 (KRW 845,678,000) (2010: 3,077,378 (KRW 3,203,551,000)). These obligations expire in 2012.

34 EVENTS SUBSEQUENT TO REPORTING DATE

There are no significant events subsequent to the balance date to disclose.

35 PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2011 the parent entity of the Group was iCash Payment Systems Limited.

	2011	2010
	\$	\$
Result of parent entity		
Profit/(loss) for the period	(5,092,187)	(1,726,870)
Other comprehensive income	-	-
	<hr/>	<hr/>
Total comprehensive income for the period	(5,092,187)	(1,726,870)
 Financial position of the financial entity at year end		
Current assets	1,404,849	1,764,410
Non-current assets	25,401,509	29,163,870
	<hr/>	<hr/>
Total assets	26,806,358	30,928,280
Current liabilities	2,121,101	839,000
Non-current liabilities	3,468,749	2,461,644
	<hr/>	<hr/>
Total liabilities	5,589,850	3,300,644
Total equity of the parent entity comprising of		
Issued capital	53,333,113	49,431,494
Retained earnings	(32,386,853)	(23,372,587)
Reserves	270,248	1,568,729
	<hr/>	<hr/>
Total equity	21,216,508	27,627,636

Parent entity contingencies

The parent entity has no significant contingent liabilities.

Parent entity capital commitments for the acquisition of property, plant or equipment.

The parent entity has not entered any contractual commitments for the acquisition of property, plant or equipment.

Parent entity guarantees in respect of the debts of the subsidiaries

The parent entity has not entered into deed of guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

**SHAREHOLDER INFORMATION
AS AT 9 SEPTEMBER 2011**

A. Substantial Shareholders

	Number of Shares	Percentage of issued shares
MR ROBERT JAMES GAAL + MRS SUSAN ELIZABETH GAAL <S & RG SUPER FUND A/C>	4,550,000	4.93
SHERMAN GROUP LIMITED	3,050,000	3.30

B. Distribution of Fully Paid Ordinary Shares

		Total holders
(i) Distribution schedule of holdings	1-1,000	694
	1,001-5,000	534
	5,001-10,000	263
	10,001-100,000	517
	100,001 and over	139
	Total number of holders	2,147
(ii) Percentage held by the 20 largest holders		37.52

C. Twenty Largest Shareholders as at 9 September 2011

Name	Units	% of units
MR ROBERT JAMES GAAL + MRS SUSAN ELIZABETH GAAL <S & RG SUPER FUND A/C>	4,550,000	4.93
SHERMAN GROUP LIMITED	3,050,000	3.30
MR KEVIN TAY HAK-LEONG	2,411,942	2.61
SANG KOO KANG	2,043,709	2.21
VIBRANT LINK SDN BHD	1,947,147	2.11
MR GARRY BONACCORSO	1,862,452	2.02
NEWFUND PTY LTD <GREEN PASTURES S/F A/C>	1,820,000	1.97
MS IRENE LIM SIEW LAN	1,736,521	1.88
TOWNS CORPORATION PTY LTD <PAE FAMILY A/C>	1,594,930	1.73
RLB INVESTMENT LIMITED	1,562,500	1.69
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	1,500,000	1.62
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSI EDA	1,398,338	1.51
TOWNS CORPORATION PTY LTD <PAE FAMILY A/C>	1,260,000	1.36
C & A C PTY LTD <C & A CHAPPEL SUPER FUND A/C>	1,207,434	1.31
RENLYN BELL INVESTMENTS PTY LTD <G & R BONACCORSO FAMILY A/C>	1,195,311	1.29
MR MAXWELL HECTOR + MRS PAMELA JOY HECTOR <THE HECTOR FAMILY S/F A/C>	1,164,100	1.26
FANCHEL PTY LTD	1,150,000	1.25
STOLIGOR PTY LTD	1,150,000	1.25
BUM JOON KIM	1,021,847	1.11
RENLYN BELL INVESTMENTS PTY LTD <G & R BONACCORSO FAMILY A/C>	1,016,666	1.10

TOP 20 HOLDERS OF ISSUED CAPITAL AS AT 9 SEPTEMBER 2011	34,642,897	37.52
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D. Voting Rights – Ordinary Shares

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Directors

James Manny
Sin Pyng (Tony) Teng
Kim Stewart
Kyung Shik (Steve) Ham
Barry Sechos

Company Secretary

Sin Pyng (Tony) Teng

ASX Code

ICP

iCash Payment Systems Limited is a company limited by shares, incorporated in Australia.

DIRECTORY

Australia

iCash Payment Systems Limited
ABN 87 061 041 281

Registered and Corporate Office

Level 17, 115 Pitt Street,
Sydney, NSW, 2000
Telephone: +61 (0) 2-9432 9000
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Internet address: www.icashpayments.com.au

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New South Wales

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Queensland

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Facsimile: +61 (0) 7-3390 2366

Korea

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235-2 Guro-Dong, Guro-Gu
Seoul 152-740
Telephone: +82 (0)2 6363 8300
Facsimile: ++82 (0)2 6363 8310
Internet address: www.neotk.com

Auditors

Nexia Court & Co., Chartered Accountants
Level 29 Tower Building
Australia Square, 264 George Street
Sydney NSW 2000
Telephone: +61 (0) 2 9251 4600
Facsimile: +61 (0) 2 9251 7138
Internet address: www.nexiacourt.com.au

Share Registry

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