

**MONEYSWITCH LIMITED**

**ABN 49 103 575 042**

**ANNUAL FINANCIAL REPORT**

**for the year ended 30 June 2005**

**MONEYSWITCH LIMITED**

**ABN 49 103 575 042**

**CORPORATE INFORMATION**

**Directors**

Richard Freemantle (Chairperson)

Jost Stollmann

Paul A Wood

William J Bartlett

Denis A Calvert

**Company Secretary**

Mark A Wood

**Registered Office**

Level 5, 121 Walker Street

North Sydney, New South Wales, 2060

(02) 8907 1700

**Solicitors**

Sparke Helmore

**Auditors**

Ernst & Young

**Internet Address**

[www.MoneySwitch.net](http://www.MoneySwitch.net)

**MONEYSWITCH LIMITED**

**ABN 49 103 575 042**

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## **MONEYSWITCH LIMITED**

**ABN 49 103 575 042**

Your directors submit their report for the year ended 30 June 2005.

### **DIRECTORS**

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

#### **Names, qualifications, experience and special responsibilities**

##### **Richard Freemantle (Non-executive Chairperson)**

Non-Executive Chairperson since 20 June 2003.

Richard has been involved in establishing and growing companies for more than 20 years. Starting in the early 1980s he created Network Solutions, which grew under his leadership to become Australia's largest and most successful network integration company.

In 1990 Richard established the first international subsidiary for Cisco Systems in Australia. As this grew into one of Cisco's key international markets, Richard was promoted to build Cisco's operations in Europe and then promoted to Senior Vice President and member of Cisco's senior management team. He returned to Australia to establish the Cisco Asia Pacific headquarters, growing the business to more than 4000 staff and US\$3B in revenue.

Since retiring from Cisco, Richard has been involved in board positions on a number of technology start-up companies, including as Chairperson for the successful public float of Eserv Global in 2002.

Richard has not held any other directorships of listed public companies in the past 3 years.

##### **Jost Stollmann (Director and Chief Executive Officer)**

Executive Director and Chief Executive Officer since 5 April 2005.

Jost founded and grew the German system and network integrator CompuNet Computer AG into a US\$1B company, sold it to GE Capital US and led the integration and expansion of GE Capital IT Solutions as President Europe across the continent. As Federal Shadow Minister of Economy and Technology, he ran and managed his election campaign, contributing significantly to the landslide victory of the first German government of Chancellor Gerhard Schröder.

Jost has not held any other directorships of companies in the past 3 years.

## **MONEYSWITCH LIMITED**

**ABN 49 103 575 042**

### **DIRECTORS' REPORT (cont'd)**

#### **Names, qualifications, experience and special responsibilities continued**

##### **Paul A Wood (Director and Chief Technology Officer)**

Executive Director since 3 February 2003 and Chief Technology Officer since 5 April 2005.

Paul has been in the network technology business throughout his career, most recently at Cisco Systems in a business development role. He was the co-founder and Chief Executive Officer of Metaplex, a networking software business that was purchased by Cisco Systems in 1996. Metaplex developed products that allowed IBM networking systems to use Internet protocols. Metaplex was a key contributor to Data Link Switch (DLSw) which is in service in most banks worldwide today.

Paul was the founder and Chief Executive Officer of Netlink, a venture capital based data communications company that developed products in the mainframe networking area. Netlink was sold to Cabletron Systems, a US public company. Paul's initial experience is in networking, technical and product management roles at IBM.

Paul was Chief Executive Officer of MoneySwitch from 3 February 2003 until 5 April 2005. Paul has not held any other directorships of companies in the past 3 years.

##### **William J Bartlett FCA, CPA, FCMA, CA (SA) (Non-executive Director)**

Non-Executive Director since 14 April 2004.

Bill has had 35 years experience in accounting and was a partner of Ernst & Young in Australia for 23 years, retiring on 30 June 2003. He has extensive experience in the actuarial, insurance and financial services sectors through membership of many industry and regulatory advisory bodies including the Life Insurance Actuarial Standards Board since 1994.

During the past three years Bill has served as a director of the following listed companies:

- Peptech Limited \*
- Retail Cube Limited \*
- RGA Inc \*
- Suncorp-Metway Limited \*

\* denotes current directorship

##### **Denis A Calvert (Non-executive Director)**

Non-Executive Director since 14 April 2004.

Denis Calvert has EFTPOS and acquiring skills, having been Executive Vice President for Global Sales and Marketing of Verifone Inc, a major EFTPOS supplier. He was Division Head of Retail and Merchant Services for Citibank NA, responsible for the integration of all global merchant services operations. He was also Chief Executive Officer of Tasq Technology Inc. which provides outsourced EFTPOS technology and logistical support to more than 1.4M retail merchants. Denis is currently an advisor to several EFTPOS manufacturers and payment processors.

During the past three years Denis has served as a director of the following company:

- Verifone Australia Pty Ltd

\* denotes current directorship

## MONEYSWITCH LIMITED

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### DIRECTORS' REPORT (cont'd)

#### COMPANY SECRETARY

**Mark A Wood**

Company Secretary since 29 July 2004.

Mark has a Bachelor of Business, Hospitality and Tourism from Macquarie University, and is currently the Business Development Manager for MoneySwitch Limited.

#### Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of MoneySwitch Limited were:

	Ordinary Shares	Options over Ordinary Shares
Richard Freemantle <sup>*</sup>	5,000,000	700,000
Jost Stollmann <sup>%</sup>	6,507,261	886,667
Paul A Wood <sup>^</sup>	6,507,261	2,750,000
William J Bartlett <sup>#</sup>	654,525	360,000
Denis A Calvert <sup>+</sup>	2,500,000	360,000

<sup>\*</sup> Includes Ordinary Shares held by Cazalla Developments Pty Ltd being an associate of Richard Freemantle.

<sup>%</sup> Jost Stollmann was issued 3,333,333 fully paid shares as a result of options exercised during the year.

Options were exercised at a price of \$0.15 per share.

<sup>^</sup> Includes Ordinary Shares held by Pamela R Wood being an associate of Paul A Wood.

<sup>#</sup> Shares jointly held with Delwyn Bartlett.

<sup>+</sup> Includes Ordinary Shares held by Tamoda Pty Ltd being an associate of Denis A Calvert.

#### DIVIDENDS

No dividends have been declared or paid since the date of incorporation

## **MONEYSWITCH LIMITED**

**ABN 49 103 575 042**

### **DIRECTORS' REPORT (cont'd)**

#### **CORPORATE INFORMATION**

##### **Corporate Structure**

MoneySwitch Limited is an unlisted public company limited by shares that is incorporated and domiciled in Australia. The registered office of MoneySwitch is Level 5, 121 Walker Street, North Sydney, New South Wales, 2060.

##### **Nature of operations and principal activities**

The principal activities during the year were:

- development of credit and debit card acquiring services;
- development of software to assist with the provision of credit and debit card acquiring services.

There have been no significant changes in the nature of those activities during the year.

##### **Employees**

The company employed 17 employees as at 30 June 2005 (2004: 8 employees).

#### **OPERATING AND FINANCIAL REVIEW**

##### **Overview**

MoneySwitch Limited was founded on 3 February 2003 by Paul A Wood, Peter J Haig and Andrew R Rothwell. All have maintained their association with MoneySwitch with Paul A Wood as Chief Technical Officer, Peter J Haig as Vice President of Engineering and Andrew R Rothwell as a software manager.

##### **Credit and Debit Card Acquiring Services**

MoneySwitch is a specialist provider of credit and debit card acquiring services. As such, the Company is developing the necessary relationships, policies, procedures, systems and approvals to comply with the stringent prudential and regulatory requirements to perform financial processing, clearing, settlement and reporting activities.

##### **Software development**

MoneySwitch's focus is on using state-of-the-art technology to provide extremely reliable, low cost and customised acquiring services to merchants and value-added resellers. MoneySwitch has continued the software development during the year.

##### **Performance Indicators**

Management and the Board monitor MoneySwitch's overall development and performance, from its development as a company through to the performance of the Company against operating plans and financial budgets.

The Board, together with management, have identified key milestones and deadlines that are used to monitor MoneySwitch's development. Key management monitors achievement of milestones and deadlines on a regular basis. Directors receive status reports for review prior to each monthly board meeting allowing all directors to actively monitor MoneySwitch's development.

##### **Dynamics of the Business**

MoneySwitch's development is highly dependent on the dealings with organisations which provide access to the credit and debit card acquiring market. These organisations can practice significant discretion in their dealings with MoneySwitch. MoneySwitch continues to develop the necessary relationships to enter the market.

## MONEYSWITCH LIMITED

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### DIRECTORS' REPORT (cont'd)

#### Operating Results for the Year

The loss of the Company after providing for income tax amounted to \$961,241 (2004: \$270,672 loss). This result was in line with expectations given that the Company is in the developmental stage of its lifecycle.

	2005	
	Revenues	Results
MoneySwitch Limited	\$389,586	-\$961,241

#### Investments for Future Performance

The company has been actively working with Visa, MasterCard, and other credit and debit card participants to build the relationships necessary for MoneySwitch to enter the card acquiring business.

The directors have budgeted capital expenditure for the purchase of computer servers and networking equipment to establish MoneySwitch's production IT infrastructure.

#### Review of Financial Condition

##### Capital Structure

During the period, 16,333,333 ordinary shares were issued as the company raised an additional \$3,950,000 of capital for anticipated start-up costs and for initial prudential capital requirements.

The fundraising was completed in two tranches at different times – on 24 December 2004; 3,000,000 ordinary shares were issued at \$0.15 per share totalling \$450,000, and on 5 April 2005; 10,000,000 ordinary shares were issued at \$0.30 per share totalling \$3,000,000 and 3,333,333 options were exercised at \$0.15 per share totalling \$500,000.

As at 30 June 2005, the company had no debt.

##### Cash from Operations

MoneySwitch continued to operate at a loss for the 2004/5 financial year, in line with its status as a pre-revenue start-up company.

The company had interest income of \$61,862 for the period. The company also claimed an R&D Tax Concession through the Industry Research and Development (IR&D) Board and the Australian Taxation Office of \$327,724.

##### Liquidity and Funding

The company had cash of \$3,154,563 at the end of the period.

Under the MoneySwitch's Specialist Credit Card Institution (SCCI) authority, the company is required by APRA to hold an amount of not less than \$2 million in Tier 1 capital at all times before it commences credit and/or debit card acquiring.

At all times after the Company commences credit and/or debit card acquiring, the Company must hold Tier 1 capital in the greater of the following two amounts:

- (a) \$5 million; or
- (b) 20% of the value of the risk weighted on- and off- balance sheet credit exposures of the company (at the time of calculation);

MoneySwitch intends to raise additional capital before live operations commence to continue to meet APRA capital requirements.



## **MONEYSWITCH LIMITED**

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### **DIRECTORS' REPORT (cont'd)**

#### **Risk Management**

MoneySwitch is now prudentially supervised by the Australian Prudential Regulation Authority (APRA) and is required to comply with prudential standards and provide ongoing reporting. The company has developed policies, procedures and systems to ensure on-going compliance with the standards.

#### **Statement of Compliance**

The report is based on the guidelines in The Group of 100 Incorporated publication *Guide to the Review of Operations and Financial Condition*.

#### **EMPHASIS OF MATTER**

Although the company has made losses in the prior 2 years, MoneySwitch is in the start-up phase of operations and this was expected. MoneySwitch has sufficient cash for the 2005/6 financial year to pay its debts as and when they become due and payable and is able to control its expenses. As such the directors believe the company is a going concern. In order to continue to meet capital requirements imposed by APRA, MoneySwitch will require additional funding to be raised during the year. Additional funding will likely be raised in late 2005 internally from existing shareholders and/or externally from an additional strategic investor(s) as needed. All past fundraising has been provided by directors and/or employees of MoneySwitch.

#### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Jost Stollmann joined the company as Chief Executive Officer on 5 April 2005. Having also participated in the April 2005 fundraising, Jost also became an executive director of the company. Jost has had a successful entrepreneurial career as a company builder, and his position as Chief Executive Officer strengthens MoneySwitch's management and strategic capabilities.

At the time of Jost's appointment, the founding Chief Executive Officer, Paul A Wood, took the role of Chief Technical Officer with MoneySwitch. Paul continues to guide product and banking process development, as well as working with major merchants on their strategic payment needs. Peter J Haig, a company founder and Vice President of Engineering, resigned as an executive director at the time of Jost's appointment in order to ensure that there was a majority of non-executive directors on the board. Peter continues to manage the IT systems development.

On 26 April 2005, MoneySwitch Limited was authorised by the Australian Prudential Regulation Authority (APRA) to carry on banking business in Australia. MoneySwitch is authorised as an Authorised Deposit-Taking Institution (ADI) whose banking activities are confined to credit and debit card acquiring as a Specialist Credit Card Institution (SCCI). MoneySwitch cannot take money on deposit.

On the same date, shareholders of MoneySwitch obtained approval under the Financial Sector (Shareholdings) Act 1998 to hold a stake in MoneySwitch (a Financial Sector company) of greater than 15% each.

#### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature which, in the opinion of the directors of the company, will affect significantly the operation of the company, the results of these operations or the state of affairs of the company in future financial years.

#### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The directors foresee that in the 2005/6 financial year MoneySwitch will continue activities towards entering the market for credit and debit card acquiring services for merchants.

**MONEYSWITCH LIMITED**

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**DIRECTORS' REPORT (cont'd)**

**SHARE OPTIONS**

**Unissued shares**

As at the date of this report, there were 12,007,631 unissued ordinary shares under options. Option holders do not have any right, by virtue of the option, to participate in any share issue of the company.

**Shares issued as a result of the exercise of options**

During the financial year, employees and directors have exercised the option to acquire 3,333,333 fully paid ordinary shares in MoneySwitch Limited at a weighted average exercise price of \$0.15. Since the end of the financial year, no further options have been exercised.

**INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

During or since the financial year, the company has not in respect of any person who is or has been an officer or auditor of the company or of a related body corporate:

- (a) indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings with the exception of the general indemnity provisions contained in the Company's Constitution.

During or since the financial year, the company has paid premiums in respect of a contract insuring all the directors and officers of MoneySwitch Limited against legal costs incurred in defending proceedings for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the Corporations Act 2001,

as permitted by section 199B of the Corporations Act 2001.

## MONEYSWITCH LIMITED

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### DIRECTORS' REPORT (cont'd)

#### DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	Meetings of Committees		
		Audit	Risk	Remuneration & Options
<b>Number of meetings held:</b>	10	2	1	0
<b>Number of meetings attended:</b>				
Richard Freemantle	9	—	—	0
Jost Stollmann	<sup>^</sup> 3	—	—	—
Paul A Wood	10	2	1	0
William J Bartlett	8	2	1	—
Denis A Calvert	8	2	1	0
Peter J Haig	<sup>*</sup> 7	—	—	—

Meetings of the committees of directors will be held more frequently now that MoneySwitch is a regulated financial institution.

#### Notes:

\* Peter J Haig attended all directors' meetings held prior to his resignation

<sup>^</sup> Jost Stollmann attended all directors' meetings held since his appointment to the board.

#### Committee Membership

As at the date of this report, the company had an Audit Committee, a Risk Committee and a Remuneration & Options Committee of the board of directors.

Members acting on the committees of the board during the year were:

Audit	Risk	Remuneration & Options
W Bartlett (c)	D Calvert (c)	R Freemantle (c)
D Calvert	B Bartlett	D Calvert
P Wood	P Wood	P Wood

#### Notes

(c) Designates the chairperson of the committee.

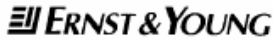
**MONEYSWITCH LIMITED**

**ABN 49 103 575 042**

**DIRECTORS' REPORT (cont'd)**

**AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES**

The directors received the following declaration from the Auditor of MoneySwitch Limited



■ Ernst & Young Centre  
680 George Street  
Sydney NSW 2000  
Australia  
GPO Box 2646  
Sydney NSW 2001

■ Tel 61 2 9248 5555  
Fax 61 2 9248 5959  
DX Sydney Stock  
Exchange T0172

**Auditor's Independence Declaration to the Directors of MoneySwitch Limited**

In relation to our audit of the financial report of MoneySwitch Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Andrew Price  
Partner  
18 August 2005

Liability limited by the Accountants Scheme, approved  
under the Professional Standards Act 1994 (NSW)

**MONEYSWITCH LIMITED**

**ABN 49 103 575 042**

**DIRECTORS' REPORT (cont'd)**

**NON-AUDIT SERVICES**

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Extended Assurance Services	\$59,377
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Signed in accordance with a resolution of the directors.



Jost Stollmann  
Director

Sydney, 18 August 2005

**MONEYSWITCH LIMITED**

**ABN 49 103 575 042**

**STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30 JUNE 2005**

	NOTE	30-Jun-05 \$	30-Jun-04 \$
Revenue from Ordinary Activities	2	389,586	109,545
		<hr/>	<hr/>
		389,586	109,545
Depreciation of plant & equipment	3	(30,701)	(10,888)
<u>Operating Expenses</u>			
General and administration	3	(395,207)	(110,703)
Marketing	3	(30,820)	-
Operations	3	(31,942)	-
Research & development	3	(862,157)	(258,626)
		<hr/>	<hr/>
Profit/(loss) from ordinary activities before related income tax expense		(961,241)	(270,672)
Income tax expense relating to ordinary activities	4	-	-
		<hr/>	<hr/>
Net profit/(loss)	10	(961,241)	(270,672)
		<hr/> <hr/>	<hr/> <hr/>

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

**MONEYSWITCH LIMITED**

**ABN 49 103 575 042**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005**

		<b>30-Jun-05</b>	<b>30-Jun-04</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash assets	16	3,154,563	434,289
Receivables	5	361,240	109,342
<b>TOTAL CURRENT ASSETS</b>		<u>3,515,803</u>	<u>543,631</u>
<b>NON-CURRENT ASSETS</b>			
Other financial assets		-	-
Property, plant & equipment	6	86,009	26,392
Other assets	7	1,627	2,441
<b>TOTAL NON-CURRENT ASSETS</b>		<u>87,636</u>	<u>28,833</u>
<b>TOTAL ASSETS</b>		<u>3,603,439</u>	<u>572,464</u>
<b>CURRENT LIABILITIES</b>			
Payables	8	28,077	-
Provisions	9	23,399	9,260
<b>TOTAL CURRENT LIABILITIES</b>		<u>51,476</u>	<u>9,260</u>
<b>TOTAL LIABILITIES</b>		<u>51,476</u>	<u>9,260</u>
<b>NET ASSETS</b>		<u>3,551,963</u>	<u>563,204</u>
<b>EQUITY</b>			
Contributed equity	11	4,850,000	900,000
Retained profits/(loss)	10	(1,298,037)	(336,796)
<b>TOTAL EQUITY</b>		<u>3,551,963</u>	<u>563,204</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**MONEYSWITCH LIMITED**

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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005**

		<b>30-Jun-05</b>	<b>30-Jun-04</b>
		<b>\$</b>	<b>\$</b>
<b><u>STATEMENT OF CASH FLOWS</u></b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt for research & development tax concession		99,919	-
Payments to suppliers and employees		(1,289,471)	(355,868)
Interest received		50,144	9,626
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	16(b)	<u>(1,139,408)</u>	<u>(346,242)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6	(90,318)	(20,906)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		<u>(90,318)</u>	<u>(20,906)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	11	3,950,000	600,000
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		<u>3,950,000</u>	<u>600,000</u>
Net increase/(decrease) in cash held		2,720,274	232,852
Cash at the beginning of the year		434,289	201,437
Cash at the end of the year	16(a)	<u><u>3,154,563</u></u>	<u><u>434,289</u></u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.



## MONEYSWITCH LIMITED

ABN 49 103 575 042

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005

#### 1. STATEMENT OF ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

##### **(a) Basis of preparation**

The financial report is a general purpose report which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report covers the economic entity of MoneySwitch Limited. MoneySwitch Limited is an unlisted public company, incorporated and domiciled in Australia.

The financial report has been prepared on the basis of historical cost and, except where stated, does not take into account changing money values or fair values of non-current assets.

The directors consider the going concern assumption to be appropriate. MoneySwitch Limited is in the start-up phase of operations and has a history of raising sufficient capital to meet the company's expenditure and prudential capital needs. MoneySwitch Limited is able to control its expenses. Should current cash levels not be sufficient to meet the company's prudential capital requirements, the company will seek to raise additional funding through capital raising in the 2005/2006 financial years internally from existing shareholders and/or externally from additional strategic investor(s) as needed.

##### **(b) Taxes**

###### Income Taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates is disclosed as a future income tax benefit or a provision for deferred income tax.

The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

###### Goods and Services Tax (GST)

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

- where the GST incurred on the 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, or payable to, the taxation authority is included as part of receivables or payables 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, or payable to, the taxation authority.

## MONEYSWITCH LIMITED

ABN 49 103 575 042

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005

#### STATEMENT OF ACCOUNTING POLICIES (cont'd)

##### **(c) Cash and cash Equivalents**

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days.

Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.

##### **(d) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

###### Rendering of services

Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

###### Interest Revenue

Control of the right to receive the interest payment.

##### **(e) Revisions of accounting estimates**

Revisions to accounting estimates are recognised prospectively in current and future years only.

##### **(f) Acquisition of assets**

All assets acquired including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Expenditure is only recognised as an asset when the entity controls future economic benefits as a result of the cost incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

##### **(g) Recoverable amount of non-current assets valued on cost basis**

The carrying amount of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

## MONEYSWITCH LIMITED

ABN 49 103 575 042

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005

#### STATEMENT OF ACCOUNTING POLICIES (cont'd)

##### Cost versus fair value

Except where specifically stated, non-current assets are recorded at the lower of cost and recoverable amount.

##### **(h) Property, Plant and Equipment**

###### Cost and Valuation

Freehold land and buildings on freehold land are measured on a fair value basis. At each reporting date, the value of each asset in these classes is reviewed to ensure that it does not differ materially from the asset's fair value at that date. Where necessary, the asset is revalued to reflect its fair value.

All other classes of property, plant and equipment are measured at cost.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

###### Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than the low value pool and freehold land.

The low value pool is depreciated on a diminishing value basis, plant and equipment items under \$1,000 are added to the pool and depreciated at 18.5% in the first year and 37% in subsequent years.

Freehold land is not depreciated.

Major depreciation periods are:

		<b>2005</b>	<b>2004</b>
Plant and Equipment:			
- Furniture and Office Equipment		5 years	5 years
- Computer Equipment		4 years	4 years
	Year		
- Low Value Pool	1	18.50%	18.50%
	>2	37.00%	37.00%

##### **(i) Research and Development Costs**

Research and Development Costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs. Where research and development costs are deferred such costs are amortised over future periods on a basis related to expected future benefits. Unamortised costs are reviewed at each reporting date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

##### **(j) Receivables**

Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

**MONEYSWITCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005**

**STATEMENT OF ACCOUNTING POLICIES (cont'd)**

Bills of exchange and promissory notes are measured at the lower of cost and net realisable value.

**(k) Payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

**(l) Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

**(m) Employee Benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within the twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and
- other types or employee benefits

are recognised against profits on a net basis in their respective categories.

The value of the equity-based compensation scheme described in the notes (note 21) and the directors report is not being recognised as an employee benefits expense.

**MONEYSWITCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005**

**STATEMENT OF ACCOUNTING POLICIES (cont'd)**

**(n) International Financial Reporting Standards (IFRS)**

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the Former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the entity's financial statements for the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparatives financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

**(o) Comparatives**

Where necessary, comparatives have been reclassified and repositioned for consistency with the current year disclosures.

**MONEYSWITCH LIMITED**

**ABN 49 103 575 042**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005**

	<b>30-Jun-05</b>	<b>30-Jun-04</b>
	<b>\$</b>	<b>\$</b>
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>		
Interest Income	61,862	9,626
Research & Development Rebate	327,724	99,919
	<u>389,586</u>	<u>109,545</u>
<b>3. EXPENSES</b>		
<u>Operating Expenses</u>		
Depreciation of plant and equipment		
- Furniture and office equipment	4,736	421
- Computer equipment	21,564	4,478
- Low value pool	4,401	5,989
	<u>30,701</u>	<u>10,888</u>
Research and Development:		
- Contractor fees	-	48,155
- Rent	46,177	30,813
- Salaries	689,319	152,518
- Superannuation	55,918	-
- Other research & development expenditure	70,743	27,140
Total Research and Development	<u>862,157</u>	<u>258,626</u>
General and Administration:		
- Audit and accountancy fees	28,537	478
- Consulting and assurance fees	87,570	3,800
- Insurance	17,381	115
- Legal Fees	61,724	57,180
- Provision for employee benefits	14,139	9,260
- Recruitment expenses	9,949	-
- Rent	7,848	2,779
- Travelling	17,633	13,077
- Other expenses	150,426	24,014
	<u>395,207</u>	<u>110,703</u>
Marketing	30,820	-
Operations	31,942	-
Total expenses	<u>1,350,827</u>	<u>380,217</u>

**MONEYSWITCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005**

	<b>30-Jun-05</b>	<b>30-Jun-04</b>
	<b>\$</b>	<b>\$</b>
<b>4. INCOME TAX</b>		
Operating profit for the year	(961,241)	(270,672)
Prima facie income tax expense on profit from ordinary activities (30%)	(288,372)	(81,202)
Income tax losses carried forward	288,372	81,202

This future income tax benefit arising from tax losses is not recognised at reporting date as realisation of the benefit is not regarded as virtually certain.

This future income tax benefit will only be obtained if:  
(a) future assessable income is derived of a nature and amount sufficient to enable the benefit to be realised;  
(b) the conditions for deductibility imposed by taxation legislation continue to be complied with;  
(c) no changes in taxation legislation adversely affect the entity in realising the benefit.

Income tax expense	<u>-</u>	<u>-</u>
--------------------	----------	----------

<b>5. RECEIVABLES</b>	<b>\$</b>	<b>\$</b>
Sundry Debtors - Research & Development Tax Concession	327,724	99,919
Sundry debtors	20,998	8,613
GST refund due	-	810
Interest Receivable	11,718	-
Prepayments	800	-
	<u>361,240</u>	<u>109,342</u>

The company has applied through AusIndustry for a Research and Development tax concession. A registration number has been granted and the Application will be lodged with the Australian Taxation Office.

**MONEYSWITCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005**

	<b>30-Jun-05</b>	<b>30-Jun-04</b>
	<b>\$</b>	<b>\$</b>
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
<u>Furniture and Office Equipment</u>		
Engineering at cost	5,518	-
Accumulated depreciation	(1,104)	-
	<u>4,414</u>	<u>-</u>
Other at cost	18,161	2,105
Accumulated depreciation	(4,474)	(842)
	<u>13,687</u>	<u>1,263</u>
Total furniture and office equipment	<u>18,101</u>	<u>1,263</u>
<u>Computer Equipment</u>		
Engineering at cost	31,863	17,912
Accumulated Depreciation	(12,444)	(4,478)
	<u>19,419</u>	<u>13,434</u>
Operations at cost	37,593	-
Accumulated depreciation	(9,398)	-
	<u>28,195</u>	<u>-</u>
Other	16,800	-
Accumulated depreciation	(4,200)	-
	<u>12,600</u>	<u>-</u>
Total computer equipment	<u>60,214</u>	<u>13,434</u>
<u>Low Value Pool</u>		
Engineering at cost	12,585	12,186
Accumulated depreciation	(7,781)	(5,078)
	<u>4,804</u>	<u>7,108</u>
Other at cost	8,832	8,832
Accumulated depreciation	(5,942)	(4,246)
	<u>2,890</u>	<u>4,586</u>
Total low value pool	<u>7,694</u>	<u>11,694</u>
Total property, plant and equipment at cost	131,352	41,035
Accumulated depreciation	(45,343)	(14,644)
Total written down amount	<u>86,009</u>	<u>26,391</u>



**MONEYSWITCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005**

<b>6.PROPERTY, PLANT AND EQUIPMENT (cont'd)</b>	<b>30-Jun-05</b>	<b>30-Jun-04</b>
	<b>\$</b>	<b>\$</b>
<u>Reconciliations</u>		
Reconciliations of the carrying amount for each class of property are set out below:		
<u>Furniture and equipment</u>		
Carrying amount at beginning of year	1,263	1,684
Additions	21,574	-
Write-down in other assets	(4,736)	(421)
Carrying amount at end of year	<u>18,101</u>	<u>1,263</u>
<u>Computer equipment</u>		
Carrying amount at beginning of year	13,434	-
Additions	68,344	17,912
Write-down in other assets	(21,564)	(4,478)
Carrying amount at end of year	<u>60,214</u>	<u>13,434</u>
<u>Low Value Pool</u>		
Carrying amount at beginning of year	11,695	14,690
Additions	400	2,994
Write-down in other assets	(4,401)	(5,989)
Carrying amount at end of year	<u>7,694</u>	<u>11,695</u>
Total property, plant and equipment		
Carrying amount at beginning of year	26,392	16,374
Additions	90,318	20,906
Write-down in other assets	(30,701)	(10,888)
Carrying amount at end of year	<u>86,009</u>	<u>26,392</u>
<b>7. OTHER ASSETS</b>		
<u>Non-current</u>		
Formation costs	2,441	3,255
Accumulated amortisation	(814)	(814)
	<u>1,627</u>	<u>2,441</u>
<b>8. PAYABLES</b>		
<b>Current Liabilities</b>		
Trade creditors	-	-
Accruals		
Accounting and Audit Fees	20,450	-
Payroll Tax on Options	7,627	-
	<u>28,077</u>	<u>-</u>
<b>9. PROVISIONS</b>		
Provision for Employee Benefits	<u>23,399</u>	<u>9,260</u>

## MONEYSWITCH LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005

	30-Jun-05	30-Jun-04
	\$	\$
<b>10. RETAINED PROFITS</b>		
Retained profits at the beginning of the financial year	(336,796)	(66,124)
Net Profit attributable to the shareholders of the entity	(961,241)	(270,672)
Retained profits at the end of the financial year	<u>(1,298,037)</u>	<u>(336,796)</u>

### 11. CONTRIBUTED EQUITY

3,000,000 Ordinary shares paid at 10c each	300,000	300,000
10,333,333 Ordinary shares paid at 15c each	1,550,000	600,000
10,000,000 Ordinary shares paid at 30c each	3,000,000	-
	<u>4,850,000</u>	<u>900,000</u>

#### Shares issued during the year:

24 December, 2004 - 3,000,000 Ordinary Shares at 15c each	450,000
5 April, 2005 - 3,333,333 Ordinary Shares at 15c each	500,000
5 April, 2005 - 10,000,000 Ordinary Shares at 30c each	3,000,000
	<u>3,950,000</u>

#### Terms and conditions of contributed equity

##### Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

### 12. CONTROLLED ENTITIES

#### Particulars in relation to controlled entities

There are no controlled entities as at 30 June, 2005 nor were any acquired or sold during the period.

### 13. CONTINGENT LIABILITIES

There are no known contingent liabilities as at the date of this report.

### 14. FINANCIAL REPORTING BY SEGMENTS

The company operates in the financial services industry in Australia.

MoneySwitch Limited is entering the market for the provision of credit and debit card services to merchants. As such, the company is developing the necessary policies, procedures, systems, relationships and approvals for financial transaction processing, clearing and settlement.

**MONEYSWITCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005**

**15. SUBSEQUENT EVENTS**

There has not arisen in the interval between end of financial year and the date of this report any item, transaction or event of a material or unusual nature, in the opinion of the directors of the Company, to affect significantly the operation of the company, the results of these operations or the state of affairs of the company, in future financial years.

**16. NOTES TO THE STATEMENT OF CASH FLOWS**

**30-Jun-05      30-Jun-04**  
**\$                    \$**

(a) Reconciliation of Cash

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

Cash at Bank	<u>3,154,563</u>	<u>434,289</u>
	<u>3,154,563</u>	<u>434,289</u>

(b) Reconciliation of operating profit from ordinary activities after income tax to net cash provided by operating activities

**Losses from ordinary activities after income tax** (961,241) (270,672)

**Non Cash items included in operating loss:**

Depreciation	30,701	10,888
Amortisation	814	813
Provision for employee benefits	14,139	9,260
	<u>(915,587)</u>	<u>(249,711)</u>

**Change in assets and liabilities**

Decrease/(Increase) in receivables	(251,898)	(96,531)
Decrease/(Increase) in other assets	-	-
Increase/(Decrease) in payables	28,077	-
<b>Net cash flow from operating activities</b>	<u>(1,139,408)</u>	<u>(346,242)</u>

**MONEYSWITCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005**

	<b>30-Jun-05</b>	<b>30-Jun-04</b>
	<b>\$</b>	<b>\$</b>
<b>17. AUDITOR'S REMUNERATION</b>		
Amounts received or due and receivable by Ernst & Young:		
- an audit of the financial report of the entity	15,450	-
- other services in relation to the entity	59,377	-
Amounts received or due and receivable by Mitchell & Partners:		
- an audit of the financial report of the entity	-	5,000
- other services in relation to the entity		
- Accounts and Tax Return	5,000	-
	<u>74,827</u>	<u>5,000</u>

**18. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES**

Credit Risk

Credit Risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets, excluding investments, of the entity which have been recognised on the statements of financial position, is the carrying amount, net of any provision for doubtful debts.

Interest rate risk

The entity's financial assets and liabilities are subject to interest rate risk. These will fluctuate in accordance with movements in the market interest rates. The entity's exposure to interest rate risk and the effective average interest rate from classes of financial assets and financial liabilities is set out below:

**2005**

	<b>Note</b>	<b>Weighted average interest rate</b>	<b>Floating rate</b>	<b>Non-interest bearing \$</b>	<b>Total</b>
<b>Financial assets</b>					
Cash assets	16(a)	5.17%	3,154,563	-	3,154,563
Receivables	5		-	361,240	361,240
Other assets	7		-	1,627	1,627
			<u>3,154,563</u>	<u>362,867</u>	<u>3,517,430</u>
<b>Financial liabilities</b>					
Payables	8		-	28,077	28,077
Provisions	9		-	23,399	23,399
			<u>-</u>	<u>51,476</u>	<u>51,476</u>

## MONEYSWITCH LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005

#### 18. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES (cont'd)

2004

	Note	Weighted average interest rate	Floating rate	Non-interest bearing \$	Total
<b>Financial assets</b>					
Cash assets	16(a)	4.30%	434,289	-	434,289
Receivables	5		-	109,342	109,342
Other assets	7		-	2,441	2,441
			<u>434,289</u>	<u>111,783</u>	<u>546,072</u>
<b>Financial liabilities</b>					
Payables	8		-	-	-
Provisions	9		-	9,260	9,260
			<u>-</u>	<u>9,260</u>	<u>9,260</u>

#### Pre Establishment

There were no entity financial assets or liabilities prior to the formation of the company on 3 February, 2003.

#### Net fair values of financial assets and liabilities

For all financial assets and liabilities the fair net value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statements of financial position and in the notes to the financial statements.

#### 19. CAPITAL COMMITMENTS

The company does not have any capital commitments as at the date of this report.

#### 20. DIRECTORS REMUNERATION

No cash remuneration is paid to the Directors of the Company other than Mr. Peter Haig, a former Director who received salary and superannuation contributions amounting to \$132,506 during the year.

**MONEYSWITCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005**

**21. RELATED PARTY TRANSACTIONS**

The directors of MoneySwitch Limited during the year were:

<b>Name</b>	<b>Appointed</b>	<b>Resigned</b>
Richard Freemantle	20/06/2003	
Jost Stollmann	5/04/2005	
Paul A Wood	3/02/2003	
William J Bartlett	14/04/2004	
Denis A Calvert	14/04/2004	
Peter J Haig	3/02/2003	5/04/2005

Director remuneration for the year ended 30 June 2005

	<b>Primary Benefits</b>	<b>Post Employment</b>	<b>Equity</b>
	Salary & fees (\$)	Super- annuation (\$)	Number of Options
Directors			
Richard Freemantle	-	-	160,000
Jost Stollmann	-	-	4,220,000
Paul A Wood	-	-	800,000
William J Bartlett	-	-	160,000
Denis A Calvert	-	-	160,000
Peter J Haig	121,565	10,941	-
<b>Total</b>	<b>121,565</b>	<b>10,941</b>	<b>5,500,000</b>

The number of directors of the company whose aggregate cash income paid or payable, or otherwise made available falls within each successive band of income (commencing at \$0):

	<b>30-Jun-05</b>	<b>30-Jun-04</b>
	No.	No.
\$0-\$0	5	6
\$130,000-\$140,000	1	-
	<b>6</b>	<b>6</b>

Shares Held by Directors and Related Parties

	<b>Outstanding at start of period 1-Jul-04</b>	<b>Shares Issued 2005</b>	<b>Outstanding at end of period 30-Jun-05</b>
Cazalla Developments Pty. Limited	2,333,333	2,666,667	5,000,000
Jost Stollmann	-	6,507,261	6,507,261
Paul Wood	1,166,666	2,086,964	3,253,630
Pamela Wood	1,166,667	2,086,964	3,253,631
Tamoda Pty Ltd	1,000,000	1,500,000	2,500,000
William and Delwyn Bartlett	333,334	321,191	654,525
Peter and Nola Haig	500,000	750,000	1,250,000
<b>Total</b>	<b>6,500,000</b>	<b>15,919,047</b>	<b>22,419,047</b>

**MONEYSWITCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005**

**21. RELATED PARTY TRANSACTIONS (cont'd)**

Option Holdings of Directors

	<b>Outstanding at start of period 1-Jul-04</b>	<b>Options granted 2005</b>	<b>Options exercised 2005</b>	<b>Outstanding at end of period 30-Jun-05</b>	<b>Exercisable at end of period 30-Jun-05</b>
<u>Linear vesting schedule</u>					
Peter J Haig	600,000	-	-	600,000	120,000
	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>600,000</u>	<u>120,000</u>
<u>Service vesting schedule</u>					
Richard Freemantle	300,000	160,000	-	460,000	380,000
Jost Stollmann	-	886,667	-	886,667	486,667
Paul A Wood	1,200,000	800,000	-	2,000,000	1,600,000
William J Bartlett	200,000	160,000	-	360,000	280,000
Denis A Calvert	200,000	160,000	-	360,000	280,000
Peter J Haig	660,000	-	-	660,000	660,000
	<u>2,560,000</u>	<u>2,166,667</u>	<u>-</u>	<u>4,726,667</u>	<u>3,686,667</u>
<u>Fully vested at time of grant</u>					
Richard Freemantle	240,000	-	-	240,000	240,000
Jost Stollmann	-	3,333,333	3,333,333	-	-
Paul A Wood	750,000	-	-	750,000	750,000
Peter J Haig	1,000,000	-	-	1,000,000	1,000,000
	<u>1,990,000</u>	<u>3,333,333</u>	<u>3,333,333</u>	<u>1,990,000</u>	<u>1,990,000</u>
<b>Total</b>	<b><u>5,150,000</u></b>	<b><u>5,500,000</u></b>	<b><u>3,333,333</u></b>	<b><u>7,316,667</u></b>	<b><u>5,796,667</u></b>

Option Terms and Conditions

Stock option grants may be exercised, in whole or in part, subject to vesting terms and conditions indicated below:

<u>Type</u>	<u>Terms and Conditions</u>
Linear vesting schedule	Options may be exercised linearly as to the shares subject to options over a period of 60 months, vesting subject to maintaining continuous status as an employee or consultant.
Service vesting schedule	Options may be exercised as to a set number of shares per agreed day of consulting service, as defined in the specific option grant.
Fully vested at time of grant	Options may be exercised as to all shares from the vesting commencement date.

**MONEYSWITCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2005**

**22. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS**

MoneySwitch Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006.

The actual effects of the transition to AIFRS are dependent on the (a) ongoing work being undertaken by the AIFRS project teams; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging acceptance practice in the interpretation and application of AIFRS and UIG Interpretations.

Under AASB 2 Share Based Payments, the company should recognise the fair value of options granted to employees as remuneration and expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payment costs are not recognised under AGAAP. At reporting date MoneySwitch Limited were unable to quantify the dollar value of any adjustments.



**MONEYSWITCH LIMITED**

**ABN 49 103 575 042**

**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of MoneySwitch Limited, I state that:

(1) In the opinion of the directors:

- a. the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
  - ii. complying with Accounting Standards and Corporations Regulations 2001; and
- b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

On behalf of the Board



Jost Stollmann  
Director

Sydney, 18 August 2005

## Independent audit report to members of MoneySwitch Limited

### Scope

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for MoneySwitch Limited (the company), for the year ended 30 June 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit approach*

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

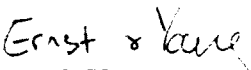
## Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## Audit opinion

In our opinion, the financial report of MoneySwitch Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of MoneySwitch Limited at 30 June 2005 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

  
Ernst & Young



Andrew Price  
Partner  
Sydney  
18 August 2005