



iCASH PAYMENT SYSTEMS LIMITED
ABN 87 061 041 281
and Controlled Entities

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2008

iCASH PAYMENT SYSTEMS LIMITED

ABN 87 061 041 281

and Controlled Entities

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2008**

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The financial report covers iCash Payment Systems Limited as an individual entity and the group consisting of iCash Payment Systems Limited and its subsidiaries. The financial report is presented in the Australian currency.

The financial report was authorised for issue by the directors on 30 September 2008. The company has the power to amend and reissue the financial report.

iCASH PAYMENT SYSTEMS LIMITED
ABN 87 061 041 281
and Controlled Entities

DIRECTORS' REPORT

The Directors present their report together with the financial report of iCash Payment Systems Limited (“the company”) and of the consolidated entity, being the company and its controlled entities, for the year ended 30 June 2008 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 Director and Chairman Age: 47

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.

Appointed a Director on 28 September 2005.

Appointed Chairman on 22 August 2006.

Audit Committee Member.

Mr David Richard McDonald – Non Executive Director Age : 65

Expertise and Experience

Mr McDonald is a Fellow of FINSIA (Financial Services Institute of Australasia). He is the Founder & Principal of Equity Capital Solutions and a Director of several unlisted public companies.

Mr McDonald was an Associate of the Society of CPA’s, a Registered Tax Agent and a Registered Company Auditor.

Appointed a Director on 27 January 2005.

Audit Committee Member.

Resigned as a director effective 30 June 2008.

Mr Sin Pyng (Tony) Teng – Executive Director Age: 55

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 and 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.

Audit Committee Member.

iCASH PAYMENT SYSTEMS LIMITED
ABN 87 061 041 281
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DIRECTORS' REPORT
(Continued)

1 Directors (Continued)

Mr Kim Stewart – Executive Director

Age: 52

Expertise and Experience

Mr Stewart has held senior marketing and management positions with substantial local and international companies across a variety of industries. 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.

Audit Committee Member

Movements in Directorate during the financial year

Mr David McDonald (*Resigned effective date 30 June 2008*)

Mr Kim Stewart (*Appointed executive director 27 June 2008*)

2 Company Secretary

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

Mr David Hughes – Company Secretary

Mr Hughes has over 20 years experience as Secretary to public listed companies.

In addition to his role with iCash Payment Systems Limited, he is currently acting as Secretary or Joint Company Secretary for the following listed public companies:

Latrobe Magnesium Limited, Imperial Corporation Limited, Hudson Investment Group Limited and Hudson Resources Limited.

Resigned as secretary 7 January 2008.

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

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 and 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.

In addition to his role with iCash Payment Systems Limited, he is currently acting as Secretary or Joint Company Secretary for the following listed public companies:

Coalworks Limited

Appointed as secretary 7 January 2008.

iCASH PAYMENT SYSTEMS LIMITED
ABN 87 061 041 281
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DIRECTORS' REPORT
(Continued)

3 Directors Meetings

| | Board Meeting | | Remuneration Committee Meetings | |
|------------|------------------------------------|--|--|--|
| | No of meetings attended | No of meetings eligible to attend | No of meetings attended | No of meetings eligible to attend |
| J Manny | 7 | 7 | 1 | 1 |
| D McDonald | 4 | 7 | | |
| T Teng | 7 | 7 | | |
| K Stewart | 1 | 1 | | |

4 Principal Activities

The principal activities for the consolidated entity during the course of the financial year were investments and operations of ATM networks and related businesses.

5 Operating and Financial Review

The ordinary operations of the group have changed from entertainment projects to the management of ATM machine networks. The revenue for the year is principally from ATM operations. The net loss of the consolidated entity for the year ended 30 June 2008 was \$2,533,645 (2007: \$1,349,866 loss). The net loss for the year compared to the prior year's performance is primarily due to setup/acquisition costs in the establishment of our ATM platform and Directors' options which were approved at the September 2007 EGM, valued on the Black Scholes model at \$1,318,820 have been expensed to the profit and loss in accordance with the applicable Australian accounting standards.

The directors commenced the implementation of their new strategy with the following activities:

- Acquisition of Transact Group adding to the ATM network;
- Acquisition of 52% Neo Technology Inc providing diversification into the manufacture of ATM machines with industry leading advanced technology;
- Continued development of opportunities in NZ, China and other Asian countries;
- Completing 3 DES upgrade program;
- Consolidation and streamlining of operational units;
- Development of an Australian designed and Korean manufactured ATM to meet APCA certification requirements; and

The new direction of the company has established a base to grow into a global operation that will provide a sustainable and profitable future.

6 Dividends

The directors have not recommended the payment of a final dividend.

7 State of Affairs

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

- i. In September 2007 the company raised \$10,000,000 through the conversion of convertible notes to 124,330,650 ordinary shares.
- ii. In September 2007 the company raised \$345,100 through a placement of 3,451,000 ordinary shares.
- iii. In September 2007 following the EGM, approval of the issue of 56,353,589 ordinary shares was made for part consideration of company acquisitions.
- iv. In February 2008 a further \$2,030,000 was raised through the placement of 40,600,000 ordinary shares.
- v. In April 2008 1,000,000 directors' options were exercised raising \$10,000.
- vi. In June 2008 a further \$595,000 was raised through the placement of 8,500,000 ordinary shares.

iCASH PAYMENT SYSTEMS LIMITED
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DIRECTORS' REPORT
(Continued)

7 Events Subsequent to Reporting Date

iCash Payment Systems Limited have announced the signing of a partnership agreement with China's leading banking machine distributor Nantian. This agreement is a key step in finalising and controlling large scale sales in the region and delivering on iCash's strategy of being a major ATM and payments business in the Asia-Pacific region.

- iCash has signed agreements with Nantian to become a technical partner in the provision and transfer of ATMs and payments technology. Nantian is a Chinese company listed on the Shenzhen Stock Exchange.
- iCash will commence a pilot ATM deployment operation in partnership with Nantian. iCash will install ATMs in Nantian's bank customers in high traffic/transaction areas. The purpose of the pilot is to demonstrate and confirm the reliability and robustness of iCash's Neotech ATM technology, which is designed in Australia and manufactured in Korea.

Through its partnership with Nantian, iCash will be able to advance its local market capabilities including the development of China specific risk management procedures to meet the needs of the Chinese banking customers and shareholders.

The Partnership Agreement with Nantian is a key milestone in the development of iCash's Asia-Pacific strategy.

iCash have established its regional headquarters in Beijing to support the corporate expansion in China.

Subsidiary Neo Technology Inc has also opened a China operation in one of Beijing's high technology districts. Neo Technology has the role of training our national service partners to properly support and maintain our products in the field.

9 Likely Developments

The company is continuing the pursuit of global acquisitions and expansion, particularly in the Asia-pacific region in order to build shareholder value.

Further disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

10 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.

iCASH PAYMENT SYSTEMS LIMITED
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DIRECTORS' REPORT
(Continued)

11 Remuneration Report

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

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance; and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Detail of the nature and amount of each element of the remuneration for each Director of iCash Payment Systems Limited and each specified executive of the company are set out in the following tables.

Directors and executives of iCash Payment Systems Limited

| Director | Base Salary/Fees | Superannuation | Options | Shares | Total |
|-----------------|-----------------------------|-----------------------|----------------|---------------|--------------|
| J Manny | 194,539 | 38,211 | 1,146,800 | - | 1,379,550 |
| D McDonald | 12,000 | - | 114,680 | - | 126,680 |
| S Teng | 144,000 | - | 57,340 | - | 201,340 |
| K Stewart | - | - | - | - | - |

Specified Executives

James Manny and Tony Teng and Kim Stewart are the specified executives and executive directors of the company. Their remuneration details are displayed above.

Service Agreements

There are currently no service agreements in place formalising the terms of remuneration of directors, with the exception of James Manny who has a formal employment contract with the Company.

Loans to Directors

There are currently no loans to directors.

iCASH PAYMENT SYSTEMS LIMITED
ABN 87 061 041 281
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DIRECTORS' REPORT
(Continued)

11 Remuneration Report (Continued)

Share Options Granted to Directors

Options were granted during the financial year to the Directors of the company or entities in the consolidated entity as part of their remuneration. At an Extraordinary General Meeting held on 3 September 2007 the following issue of options was approved by the shareholders.

| Director | Number of Options | Exercise price | Exercise date |
|----------------|-------------------|----------------|------------------|
| James Manny | 10,000,000 | 1 cent | Before 2/10/2017 |
| Tony Teng | 500,000 | 1 cent | Before 2/10/2017 |
| David McDonald | 1,000,000 | 1 cent | Before 2/10/2017 |

During the year David McDonald exercised his options to acquire 1,000,000 shares.

Directors' Interest

No director has a relevant interest in the share capital of the company at the date of this report apart from James Manny who purchased 220,000 shares during the year and continues to hold them at the date of this report.

Directors' Interests in Contracts

Since the end of the previous financial year, no contract was entered into and there were no contracts proposed in respect of which any director has an interest.

Options

Options over unissued shares were granted during the year as detailed in the Share Options Granted to Directors above. 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.

12 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 2008 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 2009. 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.

iCASH PAYMENT SYSTEMS LIMITED
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DIRECTORS' REPORT
(Continued)

13 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 audit committee 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 following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2008.

| | \$ |
|---------------------|---------------|
| Accounting Services | 10,929 |
| Taxation Services | <u>225</u> |
| | <u>11,154</u> |

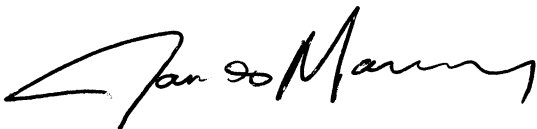
14 Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 8 and forms part of the directors' report for the financial year ended 30 June 2008.

15 Officers who were previously partners of the Audit Firm

Nil

Signed in accordance with a resolution of the directors:



J Manny
Director



S P Teng
Director

Sydney
Dated: 30 September 2008

**LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To the directors of iCash Payment Systems Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit

Nexia Court & Co.

David Gallery

Nexia Court & Co
Chartered Accountants

David Gallery
Partner

Sydney
Dated: 29 September 2008

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Partners

Stephen J Rogers
Ian D Stone
Paul W Lenton
Neil R Hillman
Stephen W Davis
David M Gallery
Robert A McGuinness
Kirsten Taylor-Martin
Andrew S Hoffmann
Graeme J Watman
David R Cust
Craig J Wilford
Sean P Urquhart
Robert Mayberry
Russell Reid

NEXIA COURT & CO. IS A MEMBER OF
NEXIA INTERNATIONAL - A WORLDWIDE
NETWORK OF INDEPENDENT ACCOUNTING
AND CONSULTING FIRMS.



LIABILITY LIMITED BY A
SCHEME APPROVED UNDER
PROFESSIONAL STANDARDS
LEGISLATION.

**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 (the 'company') which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity, and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes, and the directors' declaration of the group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Act 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 5 to 6 (Note 11) of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosure contained in the directors' report

The directors of the company 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 control 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 Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditors' 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.

Partners

Stephen J Rogers
Ian D Stone
Paul W Lenton
Neil R Hillman
Stephen W Davis
David M Gallery
Robert A McGuinness
Kirsten Taylor-Martin
Andrew S Hoffmann
Graeme J Watman
David R Cust
Craig J Wilford
Sean P Urquhart
Robert Mayberry
Russell Reid

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditors' 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.

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

We believe 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, provided to the directors of iCash Payment Systems Limited on 29 September 2008, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of iCash Payment Systems Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their 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.

Auditor's Opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 5 to 6 (Note 11) of the directors' report comply with Accounting Standard AASB 124.

Nexia Court & Co.

Nexia Court & Co
Chartered Accountants

Sydney
Dated: 30 September 2008



David Gallery
Partner

iCASH PAYMENT SYSTEMS LIMITED
ABN 87 061 041 281
and Controlled Entities

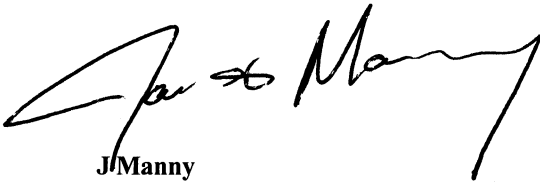
DIRECTORS' DECLARATION

In the opinion of the directors of iCash Payment Systems Limited:

- a** the financial statements and notes, set out on pages 12 to 41, are in accordance with the Corporations Act 2001, including:
 - i** giving a true and fair view of the company's and the group's financial position as at 30 June 2008, and of their performance, for the financial year ended on that date; and
 - ii** complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b** the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and
- c** there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors:



J Manny
Director



S P Teng
Director

iCASH PAYMENT SYSTEMS LIMITED
ABN 87 061 041 281
and Controlled Entities

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

| | Note | Consolidated | | Company | |
|--|------|------------------------|------------------------|--------------------|--------------------|
| | | 2008 | 2007 | 2008 | 2007 |
| | | \$ | \$ | \$ | \$ |
| Revenues from continuing operations | 7 | 20,448,061 | 262,814 | - | 41,856 |
| Administrative expenses | 8a | (6,212,679) | (1,207,975) | (1,523,471) | (1,108,775) |
| Network expenses | | (15,031,448) | - | - | - |
| Depreciation & amortisation expenses | 8b | (208,209) | (2,123) | (4,866) | (2,123) |
| Other expenses | 8c | - | (432,578) | - | (432,578) |
| Directors Options expenses | | (1,318,820) | - | (1,318,820) | - |
| LOSS BEFORE FINANCING ITEMS | | (2,323,095) | (1,379,862) | (2,847,157) | (1,501,620) |
| Financial income | 8d | 186,812 | 30,462 | 57,938 | 30,462 |
| Financial expense | 8d | (339,805) | (466) | - | (466) |
| Net financing cost | | (152,993) | 29,996 | 57,938 | 29,996 |
| LOSS BEFORE INCOME TAX | | (2,476,088) | (1,349,866) | (2,789,220) | (1,471,624) |
| Income tax expense | 9 | - | - | - | - |
| LOSS FOR THE YEAR | | (2,476,088) | (1,349,866) | (2,789,220) | (1,471,624) |
| Profit attributable to minority interests | 27 | 57,557 | - | - | - |
| LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY | | (2,533,645) | (1,349,866) | (2,789,220) | (1,471,624) |
| | | Cents per share | Cents per share | | |
| Basic loss per share | 11 | 0.41 | 0.46 | | |
| Diluted loss per share | 11 | 0.41 | 0.46 | | |

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

iCASH PAYMENT SYSTEMS LIMITED
ABN 87 061 041 281
and Controlled Entities

BALANCE SHEETS
AS AT 30 JUNE 2008

| | Note | Consolidated | | Company | |
|--------------------------------------|------|-------------------|-------------------|-------------------|-------------------|
| | | 2008 | 2007 | 2008 | 2007 |
| | | \$ | \$ | \$ | \$ |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 12 | 1,102,178 | 2,743,822 | 348,171 | 2,630,999 |
| Trade and other receivables | 13 | 2,546,929 | 128,137 | 237,690 | 96,838 |
| Financial assets | 14 | 3,286,954 | 36,000 | 1,720,245 | 36,000 |
| Inventory | 15 | 2,356,496 | - | - | - |
| Other assets | 16 | 208,587 | 1,200,000 | 120,000 | - |
| TOTAL CURRENT ASSETS | | 9,501,143 | 4,107,959 | 2,426,106 | 2,763,837 |
| NON-CURRENT ASSETS | | | | | |
| Trade and other receivables | 13 | 382,848 | - | 12,986,304 | 4,328,461 |
| Intangible assets | 17 | 15,233,823 | 1,972,245 | 481,213 | 77,523 |
| Financial assets | 14 | 2,626,548 | 7,131,651 | 7,346,989 | 5,897,912 |
| Plant and equipment | 20 | 3,711,331 | 11,165 | 10,040 | 7,732 |
| TOTAL NON-CURRENT ASSETS | | 21,954,550 | 9,115,061 | 20,824,546 | 10,311,628 |
| TOTAL ASSETS | | 31,455,693 | 13,223,020 | 23,250,652 | 13,075,465 |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 21 | 2,763,186 | 286,849 | 152,523 | 261,052 |
| Financial liabilities | 22 | 3,211,311 | - | 900,000 | - |
| Employee benefits | 23 | 858,319 | - | - | - |
| TOTAL CURRENT LIABILITIES | | 6,832,816 | 286,849 | 1,052,523 | 261,052 |
| NON CURRENT LIABILITIES | | | | | |
| Financial liabilities | 22 | 889,977 | - | - | - |
| TOTAL NON CURRENT LIABILITIES | | 889,977 | - | - | - |
| TOTAL LIABILITIES | | 7,722,793 | 286,849 | 1,052,523 | 261,052 |
| NET ASSETS | | 23,732,900 | 12,936,171 | 22,198,129 | 12,814,413 |
| EQUITY | | | | | |
| Share capital | 24 | 42,796,244 | 32,076,545 | 42,796,244 | 32,076,545 |
| Reserves | 25 | 562,266 | - | 1,453,238 | - |
| Accumulated losses | 26 | (21,674,020) | (19,140,374) | (22,051,353) | (19,262,132) |
| Parent entity interest | | 21,684,491 | 12,936,171 | 22,198,129 | 12,814,413 |
| Minority equity interest | 27 | 2,048,409 | - | - | - |
| TOTAL EQUITY | | 23,732,900 | 12,936,171 | 22,198,129 | 12,814,413 |

The above balance sheets should be read in conjunction with the accompanying notes.

iCASH PAYMENT SYSTEMS LIMITED
ABN 87 061 041 281
and Controlled Entities

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

| Consolidated | Issued Capital \$ | Reserves \$ | Accumulated Losses \$ | Parent Entity Interest \$ | Minority Interest \$ | Total Equity \$ |
|---|----------------------------------|------------------------|--------------------------------------|--|-------------------------------------|--------------------------------|
| At 1 July 2006 | 18,408,965 | - | (17,790,508) | 618,457 | - | 618,457 |
| Loss for the year | - | - | (1,349,866) | (1,349,866) | - | (1,349,866) |
| Issuance of share capital | 9,916,923 | - | - | 9,916,923 | - | 9,916,923 |
| Convertible note issue | 4,386,860 | - | - | 4,386,860 | - | 4,386,860 |
| Share issue costs | (636,203) | - | - | (636,203) | - | (636,203) |
| At 30 June 2007 | 32,076,545 | - | (19,140,374) | 12,936,171 | - | 12,936,171 |
| Loss for the year | - | - | (2,533,645) | (2,533,645) | 57,557 | (2,476,088) |
| Issuance of share capital | 15,787,780 | - | - | 15,787,780 | - | 15,787,780 |
| Conversion of convertible notes | (4,386,860) | - | - | (4,386,860) | - | (4,386,860) |
| Conversion of director options | 10,000 | - | - | 10,000 | - | 10,000 |
| Share issue costs | (691,221) | - | - | (691,221) | - | (691,221) |
| Issuance of director options | - | 1,453,238 | - | 1,453,238 | - | 1,453,238 |
| Recognition of foreign currency translation reserve | - | (890,972) | - | (890,972) | - | (890,972) |
| Minority interest in balance sheet | - | - | - | - | 1,990,852 | 1,990,852 |
| At 30 June 2008 | 42,796,244 | 562,266 | (21,674,019) | 21,684,491 | 2,048,409 | 23,732,900 |

**The above statements of changes in equity should be read
in conjunction with the accompanying notes.**

iCASH PAYMENT SYSTEMS LIMITED
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

| Company | Issued Capital \$ | Reserves \$ | Accumulated Losses \$ | Total Equity \$ |
|---------------------------------|----------------------------------|------------------------|--------------------------------------|--------------------------------|
| At 1 July 2006 | 18,408,965 | - | (17,790,508) | 618,457 |
| Loss for the year | - | - | (1,471,624) | (1,471,624) |
| Issuance of share capital | 9,916,923 | - | - | 9,916,923 |
| Convertible note issue | 4,386,860 | - | - | 4,386,860 |
| Share issue costs | (636,203) | - | - | (636,203) |
| At 30 June 2007 | 32,076,545 | - | (19,262,132) | 12,814,413 |
| Loss for the year | - | - | (2,789,220) | (2,789,220) |
| Issuance of share capital | 15,787,780 | - | - | 15,787,780 |
| Conversion of convertible notes | (4,386,860) | - | - | (4,386,860) |
| Conversion of director options | 10,000 | - | - | 10,000 |
| Share issue costs | (691,221) | - | - | (691,221) |
| Issuance of director options | - | 1,453,238 | - | 1,453,238 |
| At 30 June 2008 | 42,796,244 | 1,453,238 | (22,051,353) | 22,198,129 |

**The above statements of changes in equity should be read
in conjunction with the accompanying notes.**

iCASH PAYMENT SYSTEMS LIMITED
ABN 87 061 041 281
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

| | Note | Consolidated | | Company | |
|---|------|--------------------|--------------------|--------------------|--------------------|
| | | 2008 \$ | 2007 \$ | 2008 \$ | 2007 \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash receipts from customers | | 19,490,812 | 207,149 | (140,853) | 17,491 |
| Cash payments to suppliers and employees | | (20,932,286) | (2,553,874) | 641,290 | (1,280,473) |
| Interest paid | | (339,805) | (466) | - | (466) |
| Interest received | | 186,812 | 30,462 | 57,938 | 30,462 |
| Net cash from operating activities | 28ii | (1,594,467) | (2,316,729) | 558,375 | (1,232,986) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchases of plant and equipment | | (2,557,687) | (5,776) | (7,174) | (220) |
| Purchase of subsidiaries | | (1,684,245) | (9,006,373) | (2,681,226) | (5,897,912) |
| Purchase of other assets | | - | (97,523) | - | (79,645) |
| Net cash from investing activities | | (4,241,932) | (9,109,672) | (2,688,400) | (5,977,777) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Loans to related entities | | - | - | (8,657,843) | (4,328,461) |
| Proceeds from borrowings | | (2,879,905) | - | - | - |
| Payments to acquire entities | | (1,430,380) | - | - | - |
| Proceeds from share and note issue | | 8,505,040 | 13,667,580 | 8,505,040 | 13,667,580 |
| Net cash from financing activities | | 4,194,755 | 13,667,580 | (152,803) | 9,339,119 |
| NET (DECREASE) / INCREASE IN CASH HELD | | (1,641,644) | 2,241,179 | (2,282,828) | 2,128,356 |
| Cash at the beginning of the financial year | | 2,743,822 | 502,643 | 2,630,999 | 502,643 |
| CASH AT THE END OF THE FINANCIAL YEAR | 28i | 1,102,178 | 2,743,822 | 348,171 | 2,630,999 |

The above cash flow statement should be read in conjunction with the accompanying notes.

iCASH PAYMENT SYSTEMS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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 2, 131 Macquarie Street, Sydney, NSW, 2000. The consolidated financial statements of the company as at and for the year ended 30 June 2008 comprise the company and its subsidiaries (together referred to as the “group”). The group primarily is involved in investing in and operating of Automatic Teller Machines (ATMs).

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 2008.

b Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

c Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the company’s functional currency and the functional currency of the majority of the group.

d Use of estimates and judgements

The preparation of financial statements requires management to make judgements, 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 14 – Financial Assets
- Note 17 – Intangible Assets
- Note 23 – Employee benefits

iCASH PAYMENT SYSTEMS LIMITED
ABN 87 061 041 281
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been consistently applied by group entities.

a Basis of consolidation

i 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.

ii 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 of.

b Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

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

Plant and equipment - 10 years

Impairment

The carrying values of 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.

No impairment losses have been recognized in the income statement this year.

An item of 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 income statement in the year the item is derecognised.

iCASH PAYMENT SYSTEMS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

c 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 profit or loss. 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.

d 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 a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

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 profit or loss. 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 profit or loss. 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

d Impairment (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.

e Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

f Cash and cash equivalents

Cash in the Balance Sheet comprise cash at bank and on hand.

g Revenue

Revenue is measured at its fair value when received or receivable to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as the interest accrues, taking into account the effective yield on the financial asset

Other Income

Revenue from other sources is recognised as the risks and rewards are transferred to the customer.

h Employee benefits

Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick 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 including related on-costs, such as workers compensation insurance and payroll tax. 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.

i 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

iCASH PAYMENT SYSTEMS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

j Income tax

Deferred income tax is provided on all temporary differences at the balance sheet 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 sheet 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.

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 sheet date.

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

k 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

k Other taxes (cont.)

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

l Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The group's primary format for segment reporting is based on geographic segments.

m New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the group in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing these consolidated financial statements:

- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the group's 30 June 2010 financial statements. The group has not yet determined the potential effect of the revised standard on the group's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the group's 30 June 2010 financial statements and is not expected to have any effect on the financial report.

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

4 DETERMINATION OF FAIR VALUES (Continued)

iv Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

v 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.

vi Share based payments

The fair value at grant date is independently 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.

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS
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5 FINANCIAL RISK MANAGEMENT (Continued)

Trade and other receivables (Continued)

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.

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.

Currency risk

The group is exposed to currency risk on purchases that are dominated 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.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the group defines as net operating income divided by total shareholders' equity, excluding minority interests.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6 SEGMENT REPORTING

The consolidated entity operated in two geographical segments, being Australia and Korea and in only one business segment, being the operation of Automatic Teller Machines.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses, and income tax assets and liabilities.

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

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6 SEGMENT REPORTING (Continued)

| Primary reporting geographical segments | Australia | | Korea | | Eliminations | | Consolidated | |
|--|--------------------|--------------------|-------------------|------------|--------------|------------|--------------------|--------------------|
| | 2008 \$ | 2007 \$ | 2008 \$ | 2007 \$ | 2008 \$ | 2007 \$ | 2008 \$ | 2007 \$ |
| Revenues | | | | | | | | |
| Total external revenue | 4,570,230 | 262,814 | 15,762,314 | - | - | - | 20,332,544 | 262,814 |
| Inter segment revenue | - | - | - | - | - | - | - | - |
| Other revenue | 47,104 | - | 68,413 | - | - | - | 115,516 | - |
| Total segment revenue | 4,617,334 | 262,814 | 15,830,727 | - | - | - | 20,448,061 | 262,814 |
| Results | | | | | | | | |
| Segment result | (2,595,998) | (1,349,866) | 119,911 | - | - | - | (2,476,087) | (1,349,866) |
| Minority interest | - | - | (57,557) | - | - | - | (57,557) | - |
| Profit for the year | (2,595,998) | (1,349,866) | 62,354 | - | - | - | (2,533,645) | (1,349,866) |
| Assets | | | | | | | | |
| Segment assets | 22,275,598 | 13,223,020 | 9,180,095 | - | - | - | 31,455,693 | 13,223,020 |
| Unallocated assets | - | - | - | - | - | - | - | - |
| Total assets | 22,275,598 | 13,223,020 | 9,180,095 | - | - | - | 31,455,693 | 13,223,020 |
| Liabilities | | | | | | | | |
| Segment liabilities | 1,919,245 | 286,849 | 5,803,548 | - | - | - | 7,722,793 | 286,849 |
| Unallocated liabilities | - | - | - | - | - | - | - | - |
| Total liabilities | 1,919,245 | 286,849 | 5,803,548 | - | - | - | 7,722,793 | 286,849 |
| Capital expenditure | 3,369,588 | 11,165 | 341,743 | - | - | - | 3,711,331 | 11,165 |
| Depreciation and amortisation expense | 208,209 | 2,123 | - | - | - | - | 208,209 | 2,123 |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

| | Consolidated | | Company | |
|--|-------------------|------------------|------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| 7 REVENUE | | | | |
| Operating Activities | | | | |
| Sales revenue | 20,332,544 | 262,814 | - | 41,856 |
| Other revenue | 115,517 | - | - | - |
| Revenues from ordinary activities | <u>20,448,061</u> | <u>262,814</u> | <u>-</u> | <u>41,856</u> |
| 8 LOSS BEFORE INCOME TAX EXPENSE | | | | |
| a Administrative expenses | | | | |
| Legal, consulting and accounting, salary and wages, directors fees, travel and selling expenses. | <u>6,212,679</u> | <u>1,144,182</u> | <u>1,523,471</u> | <u>1,084,954</u> |
| b Depreciation and amortisation expenses | | | | |
| <i>Depreciation of non-current assets</i> | | | | |
| - Plant & Equipment | <u>208,209</u> | <u>2,123</u> | <u>4,866</u> | <u>-</u> |
| c Other expenses | | | | |
| The following significant expense items are relevant in explaining the financial performance: | | | | |
| Impairment losses on investments: | <u>-</u> | <u>432,578</u> | <u>-</u> | <u>432,578</u> |
| d Financial income and expenses | | | | |
| Interest received | 186,812 | 30,462 | 57,938 | 30,462 |
| Interest paid | <u>(339,805)</u> | <u>(466)</u> | <u>-</u> | <u>(466)</u> |
| | <u>(152,993)</u> | <u>29,996</u> | <u>57,938</u> | <u>29,996</u> |

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NOTES TO THE FINANCIAL STATEMENTS
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9 INCOME TAX EXPENSE

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

| | Consolidated | | Company | |
|---|---------------------|-------------|----------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Prima facie income tax benefit calculated at 30% on the loss from ordinary activities (2007: 30%) | (760,094) | (404,959) | (836,766) | (441,487) |
| Add: Tax effect of: | | | | |
| Non-deductible items | 395,646 | 85,006 | 395,646 | 85,006 |
| Timely differences | | | | |
| Less: Non-allowable items | | | | |
| Effect of non recognition of deferred tax balances | 364,448 | 319,953 | 441,120 | 356,481 |
| Income tax expense attributable to loss from ordinary activities | - | - | - | - |

10 DIVIDENDS

| | | | | |
|---|---------|---------|---------|---------|
| Balance of franking account at year end | 845,436 | 845,436 | 845,436 | 845,436 |
|---|---------|---------|---------|---------|

11 EARNINGS PER SHARE

| | Consolidated | |
|---|---------------------|--------------------|
| | 2008 | 2007 |
| | Cents per share | Cents per share |
| Basic earnings per share | (0.41) | (0.46) |
| Diluted earnings per share | (0.41) | (0.46) |
| | 2008 | 2007 |
| | \$ | \$ |
| Net Loss | (2,533,645) | (1,349,866) |
| Loss used in the calculation of basic EPS and dilutive EPS | <u>(2,533,645)</u> | <u>(1,349,866)</u> |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | <u>626,237,435</u> | <u>292,583,674</u> |

iCASH PAYMENT SYSTEMS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

12 CASH AND CASH EQUIVALENTS

| | Consolidated | | Company | |
|----------------|------------------|------------------|----------------|------------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Current | | | | |
| Cash on hand | 1,000 | - | 800 | - |
| Cash at bank | 1,101,178 | 2,743,822 | 347,371 | 2,630,999 |
| | <u>1,102,178</u> | <u>2,743,822</u> | <u>348,171</u> | <u>2,630,999</u> |

13 TRADE AND OTHER RECEIVABLES

| | | | | |
|-------------------------|------------------|----------------|-------------------|------------------|
| Current | | | | |
| Trade debtors | 2,177,566 | 23,305 | 7,700 | - |
| Other debtors | 369,363 | 104,832 | 229,990 | 96,838 |
| | <u>2,546,929</u> | <u>128,137</u> | <u>237,690</u> | <u>96,838</u> |
| Non-current | | | | |
| Trade debtors | 213,080 | - | - | - |
| Other debtors | 169,768 | - | - | - |
| Loans from subsidiaries | - | - | 12,986,304 | 4,328,461 |
| | <u>382,848</u> | <u>-</u> | <u>12,986,304</u> | <u>4,328,461</u> |

14 FINANCIAL ASSETS

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Current | | | | |
| Investment contributions in entertainment productions | 36,000 | 36,000 | 36,000 | 36,000 |
| Loan to BCT (i) | 1,684,245 | - | 1,684,245 | - |
| Other short-term investments (ii) | 1,566,709 | - | - | - |
| | <u>3,286,954</u> | <u>36,000</u> | <u>1,720,245</u> | <u>36,000</u> |
| Non-Current | | | | |
| Investment in Sonic Communications | 1,600,000 | - | 1,600,000 | - |
| ATM direct network | 828,461 | 828,461 | - | - |
| Investment in Neo Technology Inc. | - | 4,000,000 | 3,849,077 | 4,000,000 |
| Investment in Transact Pty Limited | - | 2,300,000 | - | - |
| ATM One Pty Limited | - | - | 1,894,722 | 1,894,722 |
| Other | 198,087 | 3,190 | 3,190 | 3,190 |
| Total non-current assets | <u>2,626,548</u> | <u>7,131,651</u> | <u>7,346,989</u> | <u>5,897,912</u> |

(i) Loan to Beijing Yinkatong Technology Co. Ltd

(ii) Other short-term investments are used as security for some of the consolidated entity's short-term liabilities.

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NOTES TO THE FINANCIAL STATEMENTS
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15 INVENTORY

| | Consolidated | | Company | |
|-------------------------------|--------------|------|---------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Current | | | | |
| Inventories | 2,815,331 | - | - | - |
| Provision for obsolescence | (458,835) | - | - | - |
| | 2,356,496 | - | - | - |

16 OTHER ASSETS

Current

| | | | | |
|-------------|---------|-----------|---------|---|
| Prepayments | 208,587 | 1,200,000 | 120,000 | - |
|-------------|---------|-----------|---------|---|

17 INTANGIBLE ASSETS

Non-Current

| | | | | |
|-------------------------|------------|-----------|---------|--------|
| Goodwill | 12,239,660 | - | - | - |
| Other intangible assets | 2,994,163 | 1,972,245 | 481,213 | 77,523 |
| Total Intangible Assets | 15,233,823 | 1,972,245 | 481,213 | 77,523 |

18 CONTROLLED ENTITIES

| | Country of Incorporation | Consolidated entity interest | | Investment at cost | |
|-----------------------------------|-----------------------------|---------------------------------|------|-----------------------|-----------|
| | | % owned | | 2008 | 2007 |
| | | 2008 | 2007 | 2008 | 2007 |
| | | % | % | \$ | \$ |
| Parent entity: | | | | | |
| i-Cash Payment Systems Limited | Aust | - | - | - | - |
| Directly controlled by | | | | | |
| 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 |
| Australian Pubcash Pty Ltd | Aust | 100 | 100 | 100 | 100 |
| Transact Pty Ltd | Aust | 100 | - | 100 | - |
| ICASH Australia Pty Ltd | Aust | 100 | - | 100 | - |
| ICASH Services Pty Ltd | Aust | 100 | - | 100 | - |
| Transact ATM Finance Pty Ltd | Aust | 100 | - | 100 | - |
| Transact ATM Services Pty Ltd | Aust | 100 | - | 100 | - |
| ATM Brokers Pty Ltd | Aust | 100 | - | 100 | - |
| Card Services Pty Ltd | Aust | 100 | - | 100 | - |
| Neo Technology Inc | Korea | 52 | - | 3,849,077 | - |

iCASH PAYMENT SYSTEMS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

19 ACQUISITION OF SUBSIDIARIES

a ATM One Pty Limited acquisition of the Transact Group

On 1 July 2007 the consolidated entity acquired all shares in Transact Pty Limited and subsidiaries. The Transact group was acquired for \$6,030,380, paid as to cash for \$3,530,380 and shares for \$2,500,000 (50 million shares issued with a fair value of 5 cents each).

The acquisition had the following effect on the consolidated entity's assets and liabilities:

| | Recognised values on acquisition | Fair value adjustments | Pre-acquisition carrying amount |
|---------------------------|-------------------------------------|---------------------------|------------------------------------|
| Cash and cash equivalents | (26,293) | - | (26,293) |
| Current assets | 328,834 | - | 328,834 |
| Fixed assets | 1,266,218 | - | 1,266,218 |
| Non-current liabilities | (2,277,175) | - | (2,277,175) |
| Current liabilities | (1,919,403) | - | (1,919,403) |
| | (2,627,819) | - | (2,627,819) |

b Acquisition of Substantial interest in Foreign Company

On 1 July 2007 the consolidated entity acquired 52% of the issued shares in Neo Technology Inc. The total cost of \$3,849,077 paid as to cash for \$3,396,980 and shares and options at fair value of \$452,097 (6,353,589 shares at fair value of 5 cents each and 5 million options).

The acquisition had the following effect on the consolidated entity's assets and liabilities:

| | Recognised values on acquisition | Fair value adjustments | Pre-acquisition carrying amount |
|---------------------------|-------------------------------------|---------------------------|------------------------------------|
| Cash and cash equivalents | 1,371,443 | - | 1,371,443 |
| Other current assets | 7,675,802 | - | 7,675,802 |
| Non-current assets | 3,848,457 | - | 3,848,457 |
| Non-current liabilities | (2,469,754) | - | (2,469,754) |
| Current liabilities | (6,246,383) | - | (6,246,383) |
| | 4,179,565 | - | 4,179,565 |

20 PLANT AND EQUIPMENT

| | Consolidated | | Company | |
|--|--------------|---------|---------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Non-Current | | | | |
| Plant and Equipment | | | | |
| Plant and Equipment: | | | | |
| At cost | 6,001,743 | 14,501 | 18,242 | 11,068 |
| Less: Accumulated depreciation | (2,290,412) | (3,336) | (8,202) | (3,336) |
| | 3,711,331 | 11,165 | 10,040 | 7,732 |

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NOTES TO THE FINANCIAL STATEMENTS
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20 PLANT AND EQUIPMENT (Continued)

Movements in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

| | Consolidated | | Company | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| | Plant and Equipment \$ | Plant and Equipment \$ | Plant and Equipment \$ | Plant and Equipment \$ |
| Balance at the beginning of year | 11,165 | 7,512 | 11,165 | 7,512 |
| Additions | 2,557,689 | 5,776 | 2,557,689 | 5,776 |
| Assets acquired from acquisition of subsidiaries | 1,350,686 | - | 1,350,686 | - |
| Depreciation expense | (208,209) | (2,123) | (208,209) | (2,123) |
| Carrying amount at the end of year | <u>3,711,331</u> | <u>11,165</u> | <u>3,711,331</u> | <u>11,165</u> |

21 TRADE AND OTHER PAYABLES

Current

Unsecured liabilities

| | | | | |
|---------------------------------------|------------------|----------------|----------------|----------------|
| Trade creditors | 1,926,923 | 189,608 | 81,782 | 182,266 |
| Sundry creditors and accrued expenses | 836,263 | 97,241 | 70,741 | 78,786 |
| | <u>2,763,186</u> | <u>286,849</u> | <u>152,523</u> | <u>261,052</u> |

22 FINANCIAL LIABILITIES

Current

| | | | | |
|-----------------------------|------------------|----------|----------------|----------|
| Short-term borrowings(i) | 1,712,111 | - | - | - |
| Convertible bonds (ii) | 599,200 | - | - | - |
| Other financial liabilities | 900,000 | - | 900,000 | - |
| Current | <u>3,211,311</u> | <u>-</u> | <u>900,000</u> | <u>-</u> |

Non-current

| | | | | |
|-------------------------|----------------|----------|----------|----------|
| Convertible bonds (iii) | <u>889,977</u> | <u>-</u> | <u>-</u> | <u>-</u> |
|-------------------------|----------------|----------|----------|----------|

(i) Short-term borrowings – bank facilities with interest ranging from 6.95% to 7.95%

(ii) Current convertible bonds – mature July 2008 with coupon interest of 7.0%

(iii) Non-current convertible bonds mature September 2010 – no interest payable

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

| | Consolidated | | Company | |
|---|--------------|-------------|-------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| 23 EMPLOYEE BENEFITS | | | | |
| Current | | | | |
| Reserve for retirement | 858,319 | - | - | - |
| 24 ISSUED CAPITAL | | | | |
| | 2008 | 2007 | 2008 | 2007 |
| Consolidated and Company | Shares | Shares | \$ | \$ |
| Ordinary shares | | | | |
| Issued | 700,967,341 | 466,732,102 | 42,796,244 | 27,689,685 |
| Convertible notes | - | - | - | 4,386,860 |
| Share Capital | 700,967,341 | 466,732,102 | 42,796,244 | 32,076,545 |
| Movements during the year | | | | |
| Balance at beginning of the period | 466,732,102 | 208,107,270 | 32,076,545 | 18,408,965 |
| December 2006 share issuance | - | 47,368,051 | - | 1,894,722 |
| February 2007 share issuance | - | 68,358,171 | - | 2,280,701 |
| February 2007 share issuance | - | 9,687,500 | - | 310,000 |
| March 2007 share issuance | - | 72,500,000 | - | 2,900,000 |
| May 2007 share issuance | - | 60,711,110 | - | 2,531,500 |
| September 2007 conversion of convertible notes (1) | 124,330,650 | - | 10,000,000 | - |
| September 2007 share issuance(2) | 3,451,000 | - | 345,100 | - |
| September 2007 share issuance(3) | 56,353,589 | - | 2,817,680 | - |
| February 2008 share issuance (4) | 40,600,000 | - | 2,030,000 | - |
| April 2008 conversion options (5) | 1,000,000 | - | 10,000 | - |
| June 2008 share issuance (6) | 8,500,000 | - | 595,000 | - |
| Convertible notes | - | - | - | 4,386,860 |
| Convertible notes converted to shares | - | - | (4,386,860) | - |
| Share issue costs | - | - | (691,221) | (636,203) |
| Balance at the end of the period | 700,967,341 | 466,732,102 | 42,796,244 | 32,076,545 |
| 1. In September 2007 the company raised \$10,000,000 through the conversion of convertible notes to 124,330,650 ordinary shares. | | | | |
| 2. In September 2007 the company raised \$345,100 through a placement of 3,451,000 ordinary shares. | | | | |
| 3. In September 2007 following the EGM approval the issue of 56,353,589 ordinary shares was made for part consideration of company acquisitions | | | | |
| 4. In February 2008 a further \$2,030,000 was raised through the placement of 40,600,000 ordinary shares. | | | | |
| 5. In April 2008 1,000,000 director's options were exercised raising \$10,000. | | | | |
| 6. In June 2008 a further \$595,000 was raised through the placement of 8,500,000 ordinary shares. | | | | |

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24 ISSUED CAPITAL (Continued)

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.

25 RESERVES

| | Consolidated | | Company | |
|--------------------------------------|----------------|----------|------------------|----------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Equity options reserve | 1,453,238 | - | 1,453,238 | - |
| Foreign currency translation reserve | (890,972) | - | - | - |
| | <u>562,266</u> | <u>-</u> | <u>1,453,238</u> | <u>-</u> |

26 ACCUMULATED LOSSES

| | | | | |
|-------------------|---------------------|---------------------|---------------------|---------------------|
| Balance 1 July | (19,140,374) | (17,790,487) | (19,262,133) | (17,790,487) |
| Loss for the year | <u>(2,533,645)</u> | <u>(1,349,866)</u> | <u>(2,789,220)</u> | <u>(1,471,624)</u> |
| Balance 30 June | <u>(21,674,019)</u> | <u>(19,140,374)</u> | <u>(22,051,353)</u> | <u>(19,262,133)</u> |

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NOTES TO THE FINANCIAL STATEMENTS
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| | | Consolidated | | Company | |
|-----------|--|---------------------|-------------|----------------|-------------|
| | | 2008 | 2007 | 2008 | 2007 |
| | | \$ | \$ | \$ | \$ |
| 27 | MINORITY INTEREST | | | | |
| | Minority interest in controlled entities comprise: | | | | |
| | Share Capital | 3,468,982 | - | - | - |
| | Accumulated losses | (1,420,573) | - | - | - |
| | | <hr/> | | | |
| | Total minority interest | 2,048,409 | - | - | - |
| | | <hr/> <hr/> | | | |
| 28 | NOTES TO THE CASH FLOW STATEMENTS | | | | |
| i | Reconciliation of cash | | | | |
| | Cash at bank and on hand | 1,102,178 | 2,743,822 | 348,171 | 2,630,999 |
| | | <hr/> | | | |
| | | 1,102,178 | 2,743,822 | 348,171 | 2,630,999 |
| | | <hr/> <hr/> | | | |
| ii | Reconciliation of net cash from operating activities to loss attributable to members of the parent entity | | | | |
| | Loss attributable to members of the parent entity | (2,533,645) | (1,349,866) | (2,789,220) | (1,471,624) |
| | Depreciation | 208,207 | 2,123 | 4,866 | 2,123 |
| | Director options expenses | 1,318,820 | - | 1,318,820 | - |
| | <i>Changes in assets and liabilities net of the effects of purchase and disposal of subsidiaries</i> | | | | |
| | Changes in trade and term debtors | (953,237) | (55,665) | (140,852) | (24,366) |
| | Change in prepayments and other debtors | (120,000) | (1,198,269) | - | - |
| | Change in trade creditors and accruals | 467,259 | 220,948 | 2,164,761 | 1,752 |
| | Change in employee entitlements | 18,129 | - | - | 195,129 |
| | Change in impairment | - | 64,000 | - | 64,000 |
| | | <hr/> | | | |
| | Net cash from operating activities | (1,594,467) | (2,316,729) | 558,375 | (1,232,986) |
| | | <hr/> <hr/> | | | |

iCASH PAYMENT SYSTEMS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

29 FINANCIAL INSTRUMENTS

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 | |
|-----------------------------|------------------------|-------------|
| | 2008 | 2007 |
| | \$ | \$ |
| Cash and cash equivalents | 1,102,178 | 2,743,822 |
| Trade and other receivables | 2,546,929 | 128,137 |
| | 3,649,107 | 2,871,959 |
| | 3,649,107 | 2,871,959 |

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

| | Carrying amount | |
|---------------------|------------------------|-------------|
| | 2008 | 2007 |
| | \$ | \$ |
| Wholesale customers | 2,177,566 | 23,305 |
| | 2,177,566 | 23,305 |
| | 2,177,566 | 23,305 |

The group's most significant customer, an Australian wholesaler, accounts for \$458,827 of the trade receivables carrying amount at 30 June 2008 (2007: \$23,305).

Impairment losses

None of the consolidated entity's receivables are considered to be unrecoverable, other than where a provision has been provided. Only 0.73 % of total receivables at 30 June 2008 were considered necessary to provide for.

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NOTES TO THE FINANCIAL STATEMENTS
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29 FINANCIAL INSTRUMENTS (Continued)

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 2008 | | 30 June 2007 | |
|------------------------------|---------------------|-------------|---------------------|------------|
| | AUD | WON | AUD | WON |
| | \$ | \$ | \$ | \$ |
| Trade payables | (1,926,923) | (1,232,993) | (189,608) | - |
| Gross balance sheet exposure | (1,926,923) | (1,232,993) | (189,608) | - |
| | | | | |
| Net exposure | (1,926,923) | (1,232,993) | (189,608) | - |

The following significant exchange rates applied during the year:

| | Average rate | | Reporting date spot rates | |
|-----|---------------------|-------------|----------------------------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| WON | 0.001172 | - | 0.000999 | - |

Sensitivity analysis

A 10% strengthening of the Australian dollar against the following currencies at 30 June 2008 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 2007.

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NOTES TO THE FINANCIAL STATEMENTS
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29 FINANCIAL INSTRUMENTS (Continued)

Currency risk (Continued)

| | Consolidated | | The Company | |
|---------------------|---------------------|-----------------------|--------------------|-----------------------|
| | Equity | Profit or loss | Equity | Profit or loss |
| | \$ | \$ | \$ | \$ |
| 30 June 2008 | | | | |
| WON | 4,780,021,975 | 53,203,019 | - | - |
| 30 June 2007 | | | | |
| WON | - | - | - | - |

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.

Interest rate risk

Profile

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

| | Consolidated | | The Company | |
|----------------------------------|------------------------|-------------|------------------------|-------------|
| | Carrying amount | | Carrying amount | |
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Fixed rate instruments | | | | |
| Financial liabilities | 2,311,311 | - | - | - |
| Variable rate instruments | | | | |
| Financial assets | 1,566,709 | - | - | - |
| Financial liabilities | - | - | - | - |

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

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

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NOTES TO THE FINANCIAL STATEMENTS
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29 FINANCIAL INSTRUMENTS (Continued)

Fair Values

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

| | 2008 | 2008 | 2007 | 2007 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Carrying | Net Fair | Carrying | Net Fair |
| | Amount | Value | Amount | Value |
| | \$ | \$ | \$ | \$ |
| Financial Assets | | | | |
| Cash and cash equivalents | 1,102,178 | 1,102,178 | 2,743,822 | 2,743,822 |
| Trade and other receivables | 2,546,929 | 2,546,929 | 128,137 | 128,137 |
| Financial Liabilities | | | | |
| Trade and other payables | 2,763,186 | 2,763,186 | 286,849 | 286,849 |
| Bank loan | 1,712,111 | 1,712,111 | - | - |
| Employee benefits | 858,319 | 858,319 | - | - |

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 Korean bank rates 30 June 2008 plus an adequate constant credit spread, and are as follows:

| | 2008 | 2007 |
|----------------------|-------------|-------------|
| Loans and borrowings | 6.95%-7.95% | nil |

30 DIRECTOR DISCLOSURES

a Directors

The following were 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:

Executive directors

J Manny

T Teng

D McDonald (resigned effective 30 June 2008)

K Stewart

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

30 DIRECTOR DISCLOSURES (Continued)

b Remuneration of directors

Details of the consolidated and company remuneration of each director of iCash Payment Systems Limited is set out in the following table:

| | Short Term Benefits \$ | Equity Compensation \$ | Long Term Benefits \$ | Total \$ |
|-------------|---------------------------------------|---------------------------------------|--------------------------------------|---------------------|
| 2008 | | | | |
| J Manny | 194,539 | 1,146,800 | 38,211 | 1,379,550 |
| T Teng | 144,000 | 57,340 | - | 201,340 |
| D McDonald | 12,000 | 114,680 | - | 126,680 |
| K Stewart | - | - | - | - |
| | 304,105 | 1,318,820 | 38,211 | 1,661,136 |
| 2007 | | | | |
| J Manny | 84,000 | - | 1,080 | 85,080 |
| T Teng | 24,000 | - | 270 | 24,270 |
| D McDonald | 30,993 | - | 1,080 | 32,073 |
| M Einfeld | 20,000 | - | 1,800 | 21,800 |
| R Mare | 155,431 | - | 16,212 | 171,643 |
| | 314,424 | - | 20,442 | 334,866 |

No post-employment or termination benefits were paid to directors in 2007 or 2008.

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

31 RELATED PARTY DISCLOSURES

a Loans

Loans between parties in the wholly owned group are interest free and unsecured.

b Transactions with related entities

| | Consolidated | | Company | |
|------------------------------------|---------------------|-------------|----------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| i Director related entities | | | | |

Consulting and Director Fees were paid to James Manny. The consulting services are provided at terms that are below market.

| | | | |
|--------|--------|--------|--------|
| 72,750 | 84,000 | 72,750 | 84,000 |
|--------|--------|--------|--------|

iCASH PAYMENT SYSTEMS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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31 RELATED PARTY DISCLOSURES (Continued)

b Transactions with related entities (Continued)

| | Consolidated | | Company | |
|---|---------------------|-------------|----------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| i Director related entities (Continued) | | | | |
| Director fees were paid to Equity Capital Solutions Pty Ltd. David McDonald is a director and shareholder of Equity Capital Solutions Pty Ltd. These services are provided at terms that are below market. | 12,000 | 30,993 | 12,000 | 30,993 |
| Consulting and Director Fees were paid to Richard Maré. The consulting services are provided at terms that are below market. | - | 155,431 | - | 155,431 |
| Consulting and Directors Fees were paid to Rodby Holdings Pty Ltd. Sin PyngTeng is a director and shareholder of Rodby Holdings Pty Ltd. These services were provided at terms that are below market. | 144,000 | - | 144,000 | - |
| ii Other related entities | | | | |
| Secretarial fees were paid to Lithgow Quarrying and Excavation Co Pty Ltd. Mr D Hughes is a director and shareholder of Lithgow Quarrying and Excavation Pty Ltd. These services are provided on normal commercial terms and conditions | - | 5,500 | - | 5,500 |

iCASH PAYMENT SYSTEMS LIMITED
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| | Consolidated | | The Company | |
|--|--------------|--------|-------------|--------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| 32 AUDITORS' REMUNERATION | | | | |
| Audit & Review services | | | | |
| Auditors of the company – Nexia Court & Co | | | | |
| Audit of the financial report | 31,551 | 29,997 | 31,551 | 29,997 |
| Other auditors – Taeyong Accounting Corp. | | | | |
| Audit of the financial report | 11,984 | - | - | - |
| Other services | | | | |
| Auditors of the company – Nexia Court & Co | | | | |
| Other services | 11,154 | 6,105 | 11,154 | 6,105 |

33 EVENTS SUBSEQUENT TO REPORTING DATE

iCash Payment Systems Limited have announced the signing of a partnership agreement with China's leading banking machine distributor Nantian. This agreement is a key step in finalising and controlling large scale sales in the region and delivering on iCash's strategy of being a major ATM and payments business in the Asia-Pacific region.

- 1 iCash has signed agreements with Nantian to become a technical partner in the provision and transfer of ATMs and payments technology. Nantian is a Chinese company listed on the Shenzhen Stock Exchange.
- 2 iCash will commence a pilot ATM deployment operation in partnership with Nantian. iCash will install ATMs in Nantian's bank customers and other high traffic/transaction areas. The purpose of the pilot is to demonstrate and confirm the reliability and robustness of iCash's Neotech ATM technology, which is designed in Australia and manufactured in Korea.

Through its partnership with Nantian, iCash will be able to advance its local market capabilities including the development of China specific risk management procedures to meet the needs of the Chinese banking customers and shareholders.

The Partnership Agreement with Nantian is a key milestone in the development of iCash's Asia-Pacific strategy.

iCash have established its regional headquarters in Beijing to support the corporate expansion in China.

Subsidiary Neo Technology Inc has also opened a China operation in one of Beijing's high technology districts. Neo Technology has the role of training our national service partners to properly support and maintain our products in the field.

iCASH PAYMENT SYSTEMS LIMITED
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SHAREHOLDER INFORMATION
AS AT 25 SEPTEMBER 2008

A. Substantial Shareholders

| Name | Number of Shares | Percentage of issued shares |
|---------------------------|---------------------|--------------------------------|
| Union Pacific Pty Limited | 56,578,723 | 8.07 |
| Vibrant Link SDN BHD | 42,000,000 | 5.99 |

B. Distribution of Fully Paid Ordinary Shares

(i) Distribution schedule of holdings

| | |
|-------------------------|-------|
| 1 – 1,000 | 113 |
| 1,001 – 5,000 | 401 |
| 5,001 – 10,000 | 224 |
| 10,001 – 100,000 | 850 |
| 100,001 and over | 652 |
| Total number of holders | 2,240 |

(ii) Percentage held by the 20 largest holders 39.06

C. Twenty Largest Shareholders
As at 25 September 2008

| Name | Number of Shares | Percentage of issued shares |
|--|---------------------|--------------------------------|
| UNION PACIFIC PTY LIMITED | 56,578,723 | 8.07 |
| VIBRANT LINK SDN BHD | 42,000,000 | 5.99 |
| MR ROBERT JAMES GAAL <S & RG SUPER FUND A/C> | 26,980,073 | 3.85 |
| RLB INVESTMENT LIMITED | 15,625,000 | 2.23 |
| RENLYN BELL INVESTMENTS PTY LTD <G & R BONACCORSO FAMILY A/C> | 11,953,101 | 1.71 |
| G BONACCORSO + D BONACCORSO <OSROCC SUPER FUND A/C> | 10,166,660 | 1.45 |
| FANCHEL PTY LTD | 10,000,000 | 1.43 |
| PUBLIC TRUSTEE <IFTCBROKINGSERVICES LTD A/C> | 9,674,513 | 1.38 |
| DARIN COOPER PTY LTD <DARIN COOPER S/F A/C> | 9,611,318 | 1.37 |
| C & AC PTY LTD <C & A CHAPPEL S/F A/C> | 9,210,000 | 1.31 |
| INTERNATIONAL FINANCE TRUST COMPANY LIMITED | 8,950,000 | 1.28 |
| FANCHEL PTY LTD | 8,800,000 | 1.26 |
| MR GARRY BONACCORSO + MRS DOROTHY BONACCORSO <OSROCC SUPER FUND A/C> | 8,750,000 | 1.25 |
| MRS SI WEI ZHOU | 8,140,973 | 1.16 |
| CLYDE BANK HOLDINGS (AUST) PTY LTD <CAVE UNIT A/C> | 7,500,000 | 1.07 |
| SOLOMON MEDICAL RESEARCH INC | 6,246,182 | 0.89 |
| DRUMCLIFF INVESTMENTS PTY LIMITED <KAVANAGH SUPER FUND A/C> | 6,100,000 | 0.87 |
| STARBUST IAO PTY LTD | 6,000,000 | 0.86 |

iCASH PAYMENT SYSTEMS LIMITED
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| | | |
|---|--------------------|--------------|
| CITICORP NOMINEES PTY LIMITED | 5,893,400 | 0.84 |
| BSM GROUP PTY LTD <THE BSM DISCRETIONARY A/C> | 5,539,165 | 0.79 |
| Top 20 holders of ISSUED CAPITAL as at 25 Sep 2008 | 273,719,108 | 39.06 |

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.