MONEYSWITCH LIMITED

ABN 49 103 575 042

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2006

MONEYSWITCH LIMITED

ABN 49 103 575 042

CORPORATE INFORMATION

Directors
Richard Freemantle (Chairperson)
Jost Stollmann
Paul A Wood
William J Bartlett
Denis A Calvert
Robert A Ferguson
Thomas J Girgensohn

Company Secretary
Mark A Wood

Registered Office
Level 5, 121 Walker Street
North Sydney, New South Wales, 2060
(02) 8907 1700

Solicitors
Sparke Helmore

Auditors
Ernst & Young

Internet Address
www.MoneySwitch.net

MONEYSWITCH LIMITED

ABN 49 103 575 042

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Your directors submit their report for the year ended 30 June 2006.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Richard Freemantle (Non-Executive Chairperson)
Non-Executive Chairperson since 20 June 2003.

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

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

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

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

Jost Stollmann (Director and Chief Executive Officer)
Executive Director and Chief Executive Officer since 5 April 2005.

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

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

DIRECTORS' REPORT (cont'd)

Names, qualifications, experience and special responsibilities continued

Paul A Wood (Director and Chief Technical Officer)
Executive Director since 3 February 2003 and Chief Technical Officer since 5 April 2005.

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

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

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

William J Bartlett FCA, CPA, FCMA, CA (SA) (Non-Executive Director)
Non-Executive Director since 14 April 2004.

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

During the past three years Bill has served as a director of the following listed companies:
- Peptech Limited *
- Retail Cube Limited *
- RGA Inc *
- Suncorp-Metway Limited *

* denotes current directorship

Denis A Calvert (Non-Executive Director)
Non-Executive Director since 14 April 2004.

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

During the past three years Denis has served as a director of the following company:
- Verifone Australia Pty Ltd

* denotes current directorship

DIRECTORS' REPORT (cont'd)

Robert A Ferguson (Non-Executive Director)
Non-Executive Director since 14 November 2005.

Rob began his career as a Research Analyst for a Sydney stockbroker. He joined Bankers Trust Australia as a portfolio manager in 1972 when the company's turnover totalled $6 million and became Managing Director in 1985. Through his ongoing delivery of higher investment performance, he and his team built BT Funds Management into the leader in the retail mutual funds business. By the mid-1990s, Bankers Trust had $50 billion under its care. Following the sale of the funds management arm of Bankers Trust to Principal Financial Group in 1999, Rob became Chairman of BT Funds Management. He stepped down from that position in 2002.

During the past three years Rob has served as a director of the following companies:
- Lowy Institute for International Policy*
- Sydney Institute*
- The Sydney Writers' Festival Limited*

* denotes current directorship

Dr Thomas J Girgensohn (Non-Executive Director)
Non-Executive Director since 9 March 2006 .

Thomas Girgensohn brings to MoneySwitch extensive experience in the consulting sector in both Australia and internationally. He is a previous Managing Partner (Australia and New Zealand) of the Boston Consulting Group and was also a former chairman of Netcomm Ltd and TDG Logistics as well as a former director of the Strathfield Group, Byron Holdings Ltd and Comweld Group Pty Ltd. Dr Girgensohn has a PhD in Business Administration from the University of Munich, a Master of Business Administration from the University of Saarbrucken and a Bachelor of Economics from the University of Bochum, all in Germany. Dr Girgensohn is a current Fellow of the Australian Institute of Company Directors.

During the past three years Thomas has served as a director of the following companies:
- Dairy Farmers*
- Stemcor Australia Pty Ltd*
- Australian Bulk Minerals*

* denotes current directorship

DIRECTORS' REPORT (cont'd)

COMPANY SECRETARY

Mark A Wood
Company Secretary since 29 July 2004.

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

Interests in the shares and options of the company and related bodies corporate
As at the date of this report, the interests of the directors in the shares and options of MoneySwitch Limited were:

Person	Ordinary Shares	Options over Ordinary Shares
Richard Freemantle*	6,111,112	726,667
Jost Stollmann	11,680,999	1,020,000
Paul A Wood^	9,664,836	2,833,333
William J Bartlett#	924,222	386,667
Denis A Calvert+	2,831,313	386,667
Robert A Ferguson	2,949,495	32,821
Thomas J Girgensohn^	1,818,182	13,427

* Includes Ordinary Shares held by Cazalla Developments Pty Ltd being an associate of Richard Freemantle.
^ Includes Ordinary Shares held by Pamela R Wood and Mark A Wood being associates of Paul A Wood.
# Shares jointly held with Delwyn Bartlett.
+ Includes Ordinary Shares held by Tamoda Pty Ltd being an associate of Denis A Calvert.
^Includes Ordinary Shares held by Dacroft Pty Ltd being an associate of Thomas J Girgensohn.

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

CORPORATE INFORMATION

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

Nature of operations and principal activities
MoneySwitch's principal activities are:

- Providing electronic transaction acquiring services to Australian businesses (merchants). This includes the authorisation, clearing and settlement of credit card and pin based debit card transactions. It also includes the provision of direct debit services.
- Developing the transaction switching and payment software and infrastructure required to support the provision of credit and debit acquiring services.

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

Employees
The company employed 28 employees as at 30 June 2006 (compared to 17 employees in 2005).

OPERATING AND FINANCIAL REVIEW

Overview
MoneySwitch Limited was founded on 3 February 2003 by Paul Wood, Peter Haig and Andrew Rothwell. All have maintained their association with MoneySwitch with Paul Wood as Chief Technical Officer, Peter Haig as Vice President of Engineering and Andrew Rothwell as Senior Software Manager.

Credit and Debit Acquiring Services
MoneySwitch is a specialist financial institution focussed on providing credit and debit acquiring services. As such, the Company is developing the necessary relationships, policies, procedures, systems and approvals to comply with the stringent prudential and regulatory requirements to perform electronic transaction processing, clearing and settlement activities.

Software development
MoneySwitch's focus is on using proven modern technology to provide extremely reliable, secure, low cost and flexible acquiring services to merchants and value-added resellers. As such, MoneySwitch owns its own switching and payment software code and has continued to develop this code over the course of the year.

Performance Indicators
The Board and Management monitor MoneySwitch's overall performance - from overall business positioning through to the performance of the Company against software engineering development plans, business performance operating plans and financial budgets.

The Board, together with Management, have identified key milestones and deadlines that are used to monitor MoneySwitch's development. Management monitors achievement of milestones and deadlines on a bi-weekly basis. Directors receive status reports for review prior to each monthly board meeting.

Operating Results for the Year
The Company reported an operating loss after providing for income tax of $4,386,098 (2005: $1,263,082 loss). This result was in line with expectations given that the Company is in the development stage of its lifecycle.

	2006		2005	
	Revenues	Operating Profit	Revenues	Operating Profit
MoneySwitch Limited	$631,945	-$4,386,098	$389,586	-$1,263,082

Investments for Future Performance
The Company has been actively working with Visa, MasterCard and other upstream credit and debit participants to build the relationships, commercial arrangements and physical connections necessary for MoneySwitch to provide acquiring services to its merchants.

In parallel, the Company is investing significant human resources to develop its switching and payments system architecture. It is also investing capital for the purchase of computer servers and networking and security monitoring equipment to scale-up MoneySwitch's production IT infrastructure.

Review of Financial Condition

Capital Structure
During the period, the Company issued 19,020,203 ordinary shares and raised $9,650,000 of additional capital. The capital was raised to ensure that MoneySwitch was fully compliant with the prudential capital requirements imposed on it by the Australian Prudential Regulation Authority (APRA) and to fund on-going operations.

The capital raising was completed in two tranches – on 28 November 2005; 7,555,557 ordinary shares were issued at $0.45 per share totalling $3,400,000, and on 31 March 2006 and 06 April 2006; 10,909,091 ordinary shares were issued at $0.55 per share totalling $6,000,000. In addition, on 19 December 2005, 555,555 options were exercised at an exercise price of $0.45 per share totalling $250,000.

As at 30 June 2006 the Company had no debt.

Cash from Operations
MoneySwitch continued to operate at a loss for the 2005/6 financial year, in line with the fact that the Company is in the development phase of its lifecycle.

The Company had interest income of $279,698 for the period. The Company also claimed an R&D Tax Rebate through the Industry Research and Development (IR&D) Board and the Australian Taxation Office of $352,227.

Liquidity and Funding
The Company had cash-on-hand of $7,903,263 at the end of the period.

Under MoneySwitch's banking authority as a Specialist Credit Card Institution (SCCI), the Company is required by APRA to hold Tier 1 capital in the greater of the following two amounts:
(a) $5 million; or

DIRECTORS' REPORT (cont'd)

(b) 20% of the value of the risk weighted on- and off- balance sheet credit exposures of the company (at the time of calculation).

MoneySwitch has sufficient capital to meet APRA's Tier 1 capital requirements.

Risk Management
MoneySwitch is prudentially supervised by the Australian Prudential Regulation Authority (APRA) and is required to comply with prudential standards and provide quarterly capital adequacy and liquidity reporting. The Company has developed the policies, procedures and systems required to ensure on-going compliance with the standards and generate the required quarterly reports.

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

EMPHASIS OF MATTER
Although the Company has made operating losses in the prior 3 years, this is inline with expectations given that MoneySwitch was in the start-up phase of its business development. MoneySwitch has sufficient cash for the 2006/7 financial year to pay its debts, as and when, they become due and payable. It is also able to manage and control its expenses. As such the directors believe the Company is a viable going concern.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
On 8 July 2005, MoneySwitch became a principal member of MasterCard.

On 25 July 2005, MoneySwitch became the fourteenth Tier 1 Member of the Bulk Electronic Clearing System (BECS) and the first new Tier 1 Member in ten years. This allows MoneySwitch to settle directly into the nominated transaction bank accounts of its customers.

On 8 August 2005, Brad Banducci was appointed Chief Financial Officer. Brad was previously a Vice President and Director of The Boston Consulting Group and the Leader of its Asia Pacific Corporate Finance and Strategy Practise.

On 17 November 2005, Robert Ferguson joined the MoneySwitch Board of Directors, contributing his strong financial background as a previous Managing Director of Bankers Trust.

MoneySwitch became a Principal Member of Visa International on 1 December 2005 after completing its testing and certification process.

MoneySwitch appointed John Hallis as Vice President Operations on 14 February 2006. John's focus is on building an efficient responsive Operations team. He has done so on two previous occasions, most notably setting up Cisco System's Asia Pacific customer care organisation.

On 9 March 2006, Dr Thomas J Girgensohn, a former managing partner of The Boston Consulting Group Australia and New Zealand, joined the MoneySwitch Board of Directors, contributing his strategy and board governance skills.

On 1 May 2006, MoneySwitch was issued a Variation of Conditions document from APRA, which specifically notes that MoneySwitch can provide direct debit and BPAY in addition to credit card and debit card acquiring.

On 15 June 2006, MoneySwitch became a member of the Consumer Electronic Clearing System (CECS) as an EFTPOS Acquirer.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The directors foresee that in the 2006/7 financial year MoneySwitch will continue activities towards launching its range of electronic transaction acquiring services.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 16,141,065 un-issued ordinary shares under options. Option holders do not have any right, by virtue of the option, to participate in any share issue of the company.

Shares issued as a result of the exercise of options

During the financial year, an employee exercised the option to acquire 555,555 fully paid ordinary shares in MoneySwitch Limited at an exercise price of $0.45. Since the end of the financial year, no further options have been exercised.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

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

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

DIRECTORS' MEETINGS

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

DIRECTORS' REPORT (cont'd)

	Directors' Meetings	Committee Meetings		
		Audit	Risk	Remuneration
Number of meetings held:	11	4	9	2
Number of meetings attended:				
Richard Freemantle	11	—	—	2
Jost Stollmann	10	—	—	—
Paul A Wood	11	2#	9	1#
William J Bartlett	10	4	8	—
Denis A Calvert	7	1	4	1
Robert A Ferguson	6^	2^	—	1^
Thomas J Girgensohn	2+	1+	—	1+

Directors meetings have been held every month except for the month of January 2006.

Notes:

^ Robert A Ferguson attended all meetings held since his appointment to the Board, Audit Committee and Remuneration Committee.

+ Thomas J Girgensohn attended all meetings held since his appointment to the Board, Audit Committee and Remuneration Committee.

Paul A Wood attended all meetings held prior to his resignation from the Audit Committee and Remuneration Committee.

Committee Membership

As at the date of this report, the Company had an Audit Committee, a Risk Committee and a Remuneration Committee of the Board of directors.

Members acting on the Committees of the Board during the year were:

Audit	Risk	Remuneration
Current	**Current**	**Current**
W Bartlett (c)	D Calvert (c)	R Freemantle (c)
R Ferguson	B Bartlett	D Calvert
T Girgensohn	P Wood	R Ferguson
		T Girgensohn
During the year	**During the year**	**During the year**
D Calvert *	—	P Wood #
P Wood #		

Notes

(c) Designates the chairperson of the committee.

*** D Calvert was on the Audit Committee until 11 May 2006.**

 # P Wood was on the Audit Committee until 17 November 2005 and the Remuneration Committee until 11 May 2006.

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DIRECTORS' REPORT (cont'd)

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

Auditor's Independence Declaration to the Directors of MoneySwitch Limited

In relation to our audit of the financial report of MoneySwitch Limited for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Andrew Price
Partner
16 August 2006

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DIRECTORS' REPORT (cont'd)

NON-AUDIT SERVICES

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

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

Extended Assurance Services	\$13,390
Capital Verification Agreed Upon Procedures	\$5,282
CECS Agreed Upon Procedures	\$62,256
Review and Lodgement of the Company Income Tax Return	\$6,000

Signed in accordance with a resolution of the directors.

Richard Freemantle
Chairperson

Jost Stollmann
Director and Chief Executive Officer

Sydney, 16 August 2006

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INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	NOTE	30-Jun-06 $	30-Jun-05 $
Continuing Operations			
Revenue	2	631,945	389,586
Depreciation expense		105,081	30,701
Share-based payments expense		1,392,823	301,841
Engineering expenses		1,719,755	862,157
General and administrative expenses		1,250,107	395,207
Operations expenses		540,090	31,942
Sales and marketing expenses		10,187	30,820
Profit/(loss) from continuing operations before related income tax expense		(4,386,098)	(1,263,082)
Income tax expense	3	-	-
Net profit/(loss)		(4,386,098)	(1,263,082)

The above Income Statement should be read in conjunction with the accompanying notes.

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BALANCE SHEET

AS AT 30 JUNE 2006

		30-Jun-06	30-Jun-05
		$	**$**
ASSETS			
Current Assets			
Cash and cash equivalents	4	7,903,263	3,154,563
Receivables	5	393,077	361,240
Investment securities	12(b)	1,553,677	-
Total Current Assets		9,850,017	3,515,803
Non-current Assets			
Property, plant and equipment	6	581,752	86,009
Total Non-Current Assets		581,752	86,009
TOTAL ASSETS		10,431,769	3,601,812
LIABILITIES			
Current Liabilities			
Payables	8	144,171	28,077
Provisions	9	80,536	23,399
Total Current Liabilities		224,707	51,476
TOTAL LIABILITIES		224,707	51,476
NET ASSETS		10,207,062	3,550,336
EQUITY			
Contributed equity	10	14,500,001	4,850,000
Reserves	10	1,725,428	332,605
Retained earnings	10	(6,018,367)	(1,632,269)
TOTAL EQUITY		10,207,062	3,550,336

The above Balance Sheet should be read in conjunction with the accompanying notes.

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006

		30-Jun-06 $	30-Jun-05 $
Cash flows from operating activities			
Receipt for research & development tax concession		327,724	99,919
Payments to suppliers and employees		(3,353,812)	(1,289,471)
Interest received		279,288	50,144
Net cash flows from operating activities	4	(2,746,800)	(1,139,408)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(600,824)	(90,318)
Gross payments for investment securities		(1,553,677)	-
Net cash flows used in investing activities		(2,154,501)	(90,318)
Cash flows from financing activities			
Proceeds from issue of shares	10	9,650,001	3,950,000
Net cash flows from/(used in) financing activities		9,650,001	3,950,000
Net increase in cash and cash equivalents		4,748,700	2,720,274
Cash and cash equivalents at beginning of period		3,154,563	434,289
Cash and cash equivalents at end of period	4	7,903,263	3,154,563

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

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

		Attributable to equity holders of MoneySwitch Limited			
		Issued Capital	Retained Earnings	Other Reserves *(Note 10)*	Total Equity
		$	**$**	**$**	**$**
At 1 July 2004		900,000	(369,187)	30,764	561,577
Profit/(loss) for the period		-	(1,263,082)	-	(1,263,082)
Issue of share capital	10	3,450,000	-	-	3,450,000
Exercise of options	10	500,000	-	-	500,000
Cost of share-based payments	10	-	-	301,841	301,841
At 30 June 2005		4,850,000	(1,632,269)	332,605	3,550,336
Profit/(loss) for the period		-	(4,386,098)	-	(4,386,098)
Issue of share capital	10	9,400,001	-	-	9,400,001
Exercise of options	10	250,000	-	-	250,000
Cost of share-based payments	10	-	-	1,392,823	1,392,823
At 30 June 2006		14,500,001	(6,018,367)	1,725,428	10,207,062

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

1. STATEMENT OF ACCOUNTING POLICIES

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

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

(a) Basis of preparation
The financial report is a general-purpose financial report, which has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards.

Unless otherwise indicated, all amounts are expressed in Australian dollars.

All amounts contained in the financial report and directors' report have been rounded to the nearest dollar ($1).

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

(b) Going Concern
The directors consider the going concern assumption to be appropriate. MoneySwitch Limited is in the development phase of operations and has a history of raising sufficient capital to meet the Company's expenditure and prudential capital needs. MoneySwitch Limited is able to control its expenses. Should current cash levels not be sufficient to meet the Company's prudential capital requirements, the Company will seek to raise additional funding through capital raising in the 2006/2007 financial year internally from existing shareholders and/or externally from additional strategic investors as required.

(c) Statement of compliance
The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

These financial statements are the first MoneySwitch Limited financial statements to be prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements. Certain of the exemptions allowed by AASB 1 from retrospective application have been used, details can be found in the applicable notes below. Comparatives for the year ended 30 June 2005 have been restated accordingly.

Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 19.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2006

STATEMENT OF ACCOUNTING POLICIES (cont'd)

(c) Statement of compliance (cont'd)

Except for the revised AASB 119 Employee Benefits (issued December 2005), Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

Title	Affected standard(s)	Nature of change to accounting policy	Application date (*)
AASB 2005-1	AASB 139	No change to accounting policy required. Therefore no impact.	1 January 2006
AASB 2005-4	AASB 139 AASB 132 AASB 1 AASB 1023 AASB 1038	No change to accounting policy required. Therefore no impact.	1 January 2006
AASB 2005-5	AASB 1 AASB 139	No change to accounting policy required. Therefore no impact.	1 January 2006
AASB 2005-6	AASB 3	No change to accounting policy required. Therefore no impact.	1 January 2006
AASB 2005-9	AASB 4 AASB 1023 AASB 139 AASB 132	No change to accounting policy required. Therefore no impact.	1 January 2006
AASB 2005-10	AASB 132 AASB 101 AASB 114 AASB 117 AASB 133	No change to accounting policy required. Therefore no impact.	1 January 2007
AASB 2006-1	AASB 121	No change to accounting policy required. Therefore no impact.	1 January 2006
AASB 7	AASB 7	No change to accounting policy required. Therefore no impact.	1 January 2007
AASB 2002-2	AASB 1	No change to accounting policy required. Therefore no impact.	30 June 2006

*Application date is for the annual reporting periods beginning on or after the date shown in the above table.

Changes made to accounting policies to comply with AIFRS are detailed below in note 1, paragraph (d) through paragraph (v).

STATEMENT OF ACCOUNTING POLICIES (cont'd)

(d) Significant accounting judgements, estimates and assumptions

The adoption of AASB 2 Share-based payments have had a significant impact on the amounts recognised in the financial statements. The details can be found in the applicable notes below.

The Company recognises the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. The fair value has been determined using the Black Scholes model, and the assumptions related to this can be found in note 7.

(e) Revenue recognition

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

(i) Service revenue

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Stage of completion is measured using the labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred, where it is probable that the costs will be recovered.

(ii) Interest income

The Company has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. The relevant accounting policies for interest income applicable for the years ending 30 June 2006 and 30 June 2005 are:

Accounting policies applicable for the year ending 30 June 2006

Interest income is recognised in the income statement on an accruals basis, using the effective interest method. This method measures the amortised cost of a financial asset and allocates the interest income over the relevant period using the effective interest which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Accounting policies applicable for the year ending 30 June 2005

Revenue is recognised when the Company's right to receive payment is established.

(f) Leases

Leases under which the Company assumes all the risks and benefits are classified as financial leases. Other leases are classified as operating leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease-term, if there is no reasonable certainty that the Company will obtain ownership of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

STATEMENT OF ACCOUNTING POLICIES (cont'd)

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, and deposits held at call with financial institutions.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Receivables

Receivables (current) are recognised and carried at original value less a provision for any uncollectible debts. An estimate of recoverable amounts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

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

(i) Investments

Investment securities are securities purchased with the intent of being held to maturity. The Company currently does not have any investments held for trading. All non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity where management has the positive intention and ability to hold to maturity.

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. Investments that are intended to be held to maturity are subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired as well as through the amortisation process.

Purchases and sale of investments are recognised on settlement date - the date on which the Company receives or delivers the asset.

(j) Income Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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 in the financial statements.

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. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to recognise the deferred tax asset or liability. An exemption is made for temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

STATEMENT OF ACCOUNTING POLICIES (cont'd)

(j) Income Taxes (cont'd)

Deferred tax assets relating to tax losses, unused tax credits and deductible temporary differences are not carried forward as an asset unless it is probable that the future taxable amounts will be available to utilise those temporary differences, losses and tax credits.

(k) Other Taxes

Goods and Services Tax (GST)

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

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

(l) Acquisition of assets

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

Expenditure is only recognised as an asset only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. All other expenditure is expensed as incurred.

(m) Recoverable amount of non-current assets valued on cost basis

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

Recoverable amount 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.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

STATEMENT OF ACCOUNTING POLICIES (cont'd)

(n) Property, Plant and Equipment

(i) Cost and Valuation

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

All other classes of property, plant and equipment are measured at cost less accumulated depreciation and any impairment in value. The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing parts when the cost is incurred and the recognition criteria are met. When each major inspection is performed, its cost is recognised in the carrying amount of the item of property, plant or equipment, as a replacement, provided that the recognition criteria are satisfied.

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

(ii) Depreciation

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

Major depreciation periods are:	**2006**	**2005**
Plant and Equipment:		
- Furniture and Office Equipment	5 years	5 years
- Computer Equipment	4 years	4 years

The assets' residual values, remaining useful lives and depreciation methods are reassessed and adjusted, if appropriate, at each balance sheet date.

(iii) Impairment

The impairment testing for property, plant and equipment is conducted in accordance with the Accounting Policy in Note 2(m).

(iv) Derecognition and disposal

An items of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from continued use of the asset. Gains and losses on disposals are calculated as the difference between the net disposal proceeds and asset's carrying amount and are included in the income statement in the year the item is derecognised.

(o) Research and Development Costs

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

STATEMENT OF ACCOUNTING POLICIES (cont'd)

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

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

If the impact of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of times is recognised as a finance cost.

Contingent liabilities and contingent assets are not recognised in the balance sheet, but are disclosed in the relevant notes to the financial statements. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Where settlement becomes probable, a liability or asset is recognised.

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

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

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

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

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

(s) Share-based payment transactions
Share-based compensation benefits are provided to employees (including directors) via the MoneySwitch Stock Option Plans.

The Company has applied the requirements of AASB 1 ‘First-time Adoption of Australian Equivalents to IFRS’ in respect of equity-settled share-based payment transactions and has applied AASB 2 ‘Share based Payments’ only to equity instruments granted after 7 November 2002 that had not vested before 1 January 2005, as given below:

Shares, options and rights granted before 7 November 2002 and/or vested before 1 January 2005
No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

STATEMENT OF ACCOUNTING POLICIES (cont'd)

(s) Share-based payment transactions (cont'd)
Shares, options and rights granted after 7 November 2002 and vested after 1 January 2005
The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined internally using the Black-Scholes Option Valuation Model, further details of which are given in note 7.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at the reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

There were no modifications to the terms of outstanding options during the financial year.

(t) Contributed equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Foreign currency translation
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

(v) Derecognition of Assets and Liabilities
Assets and liabilities are derecognised in the balance sheet upon sale, maturity or settlement. Gains and losses are recognised in profit or loss when the assets/liabilities are derecognised.

MONEYSWITCH LIMITED

ABN 49 103 575 042

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2006

	30-Jun-06 $	30-Jun-05 $
2. REVENUE AND EXPENSES		
Profit or loss has been arrived at after charging (crediting) the following items:		
Revenue		
Interest and other income	279,718	61,862
R&D tax rebate	352,227	327,724
	631,945	389,586
Depreciation and amortisation		
Depreciation of non-current assets		
- Property, plant & equipment	105,081	30,701
	105,081	30,701
Share-based payments expense		
Equity-settled share-based payments (note 7)	1,392,823	301,841
	1,392,823	301,841
Engineering expenses		
Employee benefits expense	1,521,311	745,237
Recruitment	104,299	-
Rent	35,294	46,177
Training	10,974	-
Travel	9,377	-
Other	38,500	70,743
	1,719,755	862,157
General and administrative expenses		
Interconnect & membership	509,708	
Professional fees	153,421	116,107
Employee benefits expense	262,639	-
Provision for employee leave entitlement	57,137	14,139
Legal	52,375	61,724
Rent	49,210	7,848
Travel	32,583	17,633
Insurance	23,209	17,381
Other	109,825	160,375
	1,250,107	395,207
Operations expenses		
Communication and hosting	255,454	-
Scheme fees	178,926	-
Employee benefits expense	105,320	24,690
Other	390	7,252
	540,090	31,942
Sales and marketing expenses		
Brand development and market research	10,187	30,820
	10,187	30,820
Total expenses	**5,018,043**	**1,652,668**

3. INCOME TAX

	30-Jun-06 $	**30-Jun-05 $**
Operating profit for the year	(4,386,098)	(1,263,082)
Prima facie income tax expense on profit from continuing operations (30%)	(1,315,829)	(378,925)
Expenditure not allowable for income tax purposes		
Share-based payments expense	417,847	90,552
R&D tax concession	(176,114)	(163,862)
Other non-deductible expenses	2,174	-
	(1,071,922)	(452,235)
Tax effect of timing differences and current year tax losses not brought to account: not probable of recovery	1,071,922	452,235
This future income tax benefit will only be obtained if: (a) future taxable income is derived of a nature and amount sufficient to enable the benefit to be realised; (b) the conditions for deductibility imposed by taxation legislation continue to be complied with; (c) no changes in taxation legislation adversely affect the entity in realising the benefit.		
Income tax expense	-	-

The future income tax benefit comprises cash rebates received/receivable which are available under the Research and Development Tax Concession of the Income Tax Assessment Act 1936.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2006

	30-Jun-06 $	30-Jun-05 $

4. CASH & CASH EQUIVALENTS

	30-Jun-06 $	30-Jun-05 $
Cash at bank	7,876,480	3,154,563
Exchange settlement account	26,783	-
	7,903,263	3,154,563

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Reserve Bank (RBA) pays interest on balances held in Exchange settlement accounts at a rate 25 basis points below the cash rate.

Reconciliation of net profit after tax to net cash flows from operations

	30-Jun-06 $	30-Jun-05 $
Operating profit for the year	(4,386,098)	(1,263,082)
Adjustments for:		
Depreciation and amortisation	105,081	31,515
Provision for employee leave entitlements	57,137	14,139
Share-based payments expense	1,392,823	301,841
Changes in assets and liabilities		
Decrease/(Increase) in receivables	(31,837)	(251,898)
Increase/(Decrease) in payables	116,094	28,077
Net cash from operating activities	(2,746,800)	(1,139,408)

Disclosure of financing facilities - refer to note 10

Disclosure of non-cash financing and investing activities - refer to note 6 & 12

5. RECEIVABLES

	30-Jun-06 $	30-Jun-05 $
Due from other financial institutions	5,692	-
Sundry debtors - Research & development tax rebate	352,227	327,724
Sundry debtors - others	23,010	20,998
Interest receivable	12,148	11,718
Prepayments	-	800
	393,077	361,240

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

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture and Office Equipment ($)	*Computer Equipment ($)*	*Total ($)*
Year ended 30 June 2006			
At 1 July 2005,			
net of accumulated depreciation and impairment	25,795	60,214	86,009
Additions	38,073	562,751	600,824
Depreciation charge for the year	(13,173)	(91,908)	(105,081)
At 30 June 2006,			
net of accumulated depreciation and impairment	50,695	531,057	581,752
At 1 July 2005			
Cost or fair value	45,096	86,256	131,352
Accumulated depreciation and impairment	(19,301)	(26,042)	(45,343)
Net carrying amount	25,795	60,214	86,009
At 30 June 2006			
Cost or fair value	83,169	649,008	732,177
Accumulated depreciation and impairment	(32,475)	(117,950)	(150,425)
Net carrying amount	50,694	531,058	581,752

	Furniture and Office Equipment ($)	*Computer Equipment ($)*	*Total ($)*
Year ended 30 June 2005			
At 1 July 2004,			
net of accumulated depreciation and impairment	12,958	13,434	26,392
Additions	21,974	68,344	90,318
Depreciation charge for the year	(9,137)	(21,564)	(30,701)
At 30 June 2005,			
net of accumulated depreciation and impairment	25,795	60,214	86,009
At 1 July 2004			
Cost or fair value	23,123	17,912	41,035
Accumulated depreciation and impairment	(10,165)	(4,478)	(14,643)
Net carrying amount	12,958	13,434	26,392
At 30 June 2005			
Cost or fair value	45,096	86,256	131,352
Accumulated depreciation and impairment	(19,301)	(26,042)	(45,343)
Net carrying amount	25,795	60,214	86,009

7.SHARE-BASED PAYMENTS

(a) Details of MoneySwitch Stock Option Plans

The MoneySwitch Stock Option Plans were established to issue options over ordinary shares in the Company to employees or directors of the company or to external consultants who provide services to the Company. The rules of the MoneySwitch Stock Plans provide that the Board has the authority, in its discretion, and subject to such terms and conditions as it deems appropriate, to grant options to employees and consultants (Including directors).

Options granted pursuant to the Stock Options Plans may be exercised, in whole or part, subject to vesting terms and conditions indicated below:

Type	**Terms and Conditions**
Linear vesting schedule	Options granted will vest in proportion to the time that passes linearly during the vesting schedule, subject to maintaining continuos status as an employee or consultant with the Company during the vesting schedule;
Service vesting schedule	The options with service vesting schedule may be exercised as to a set number of shares per agreed day of consulting service, as defined in the specific option grant.
Fully vested at time of grant	Options may be exercised as to all shares from the vesting commencement date.

Other relevant terms and conditions applicable to options granted under the MoneySwitch Stock Option Plans include:

- All stock options granted under those plans had an exercise price equal to the fair value of the underlying ordinary shares on the date of the grant.
- the term of each option grant shall be 10 years from the date of grant or such shorter term as provided in the Stock Option Grant agreement. However, in the case of options granted to an Optionee who, at the time the options is granted, owns stock representing more than 10% of the voting power of all classes of stock of the Company, the term of the Option Grant shall be 5 years from the grant date or such shorter term as may be provided in the Stock Option Grant agreement.
- each option entitles the holder to one ordinary share.
- All awards granted under the MoneySwitch Stock Option Plans are equity-settled.

(b) Fair value of options

The weighted average fair value of the share options granted during the financial year is 24c (2004/05: 10c).

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes Option Valuation Model. The following table lists the assumptions used in determining the fair value of the options granted in the years ended 30 June 2006 and 30 June 2005:

	2006	**2005**
Dividend yield (%)	0%	0%
Expected volatility (%)	74%	74%
Risk-free interest rate (%)	5.34%	5.16%

A zero dividend policy assumption is used for valuing all option grants. This is in line with the Company's development status and growth strategy.

7.SHARE BASED PAYMENTS (cont'd)

(b) Fair value of options (cont'd)

Expected volatility used is the historical volatility of the peer group. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The average expected life for 10 year options is assumed to be 8 years from the grant date. For all other options with a contractual life of 5 years or less, the expected life is assumed to be total years from grant date to expiration date.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share option issued during the year:

	30-Jun-06 *No*	30-Jun-06 *WAEP*	30-Jun-05 *No*	30-Jun-05 *WAEP*
Linear vesting schedule				
Outstanding at the beginning of the year	3,673,977	16c	2,525,000	10c
Granted during the year	1,717,449	47c	1,413,443	26c
Exercised during the year	-	-	-	-
Forfeited/Expired during the year	(88,438)	45c	(264,466)	10c
Outstanding at the end of the year	**5,302,988**	**26c**	**3,673,977**	**16c**
Exercisable at the end of the year	**2,362,697**	**25c**	**783,031**	**16c**
Fully vested at time of grant				
Outstanding at the beginning of the year	3,222,521	10c	3,151,410	10c
Granted during the year	3,333,333	45c	3,413,333	15c
Exercised during the year	(555,555)	45c	(3,333,333)	15c
Forfeited/Expired during the year	-	-	(8,889)	45c
Outstanding at the end of the year	**6,000,299**	**26c**	**3,222,521**	**10c**
Exercisable at the end of the year	**6,000,299**	**26c**	**3,222,521**	**10c**
Service vesting schedule				
Outstanding at the beginning of the year	4,837,778	13c	2,560,000	10c
Granted during the year	-	-	2,277,778	16c
Exercised during the year	-	-	-	-
Forfeited/Expired during the year	-	-	-	-
Outstanding at the end of the year	**4,837,778**	**13c**	**4,837,778**	**13c**
Exercisable at the end of the year	**4,837,778**	**13c**	**3,708,889**	**12c**
Total Outstanding at the end of the year	**16,141,065**	**22c**	**11,734,276**	**13c**
Total Exercisable at the end of the year	**13,200,774**	**21c**	**7,714,441**	**13c**

Included within this balance are options over 8,920,165 shares (2005: 8,920,165 shares) that have not been recognised in accordance with AASB 2, as the options were granted and vested before 1 January 2005. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with AASB 2.

The above balance does not include 681,013 fully vested options approved on 18/07/2006 as 2005/2006 financial year's annual bonuses for executives and employees of the Company. The fair value of the above options, estimated on the balance sheet date, has been recognized as an expense in the income statement in accordance with AASB 2, as the options were granted in respect of services rendered in 2005/2006 financial year.

The expense recognised in the income statement in relation to share-based payments is disclosed in note 2.

7.SHARE BASED PAYMENTS (cont'd)

The average share price at the date of exercise for the options exercised in 2005/06 is 45c (2004/05: 15c).

The weighted average remaining contractual life for the share options outstanding as at 30 June 2006 was 4.4 years (2005: 5.7 years).

The following table summarizes further details of the stock options outstanding at 30 June 2006:

Range of Exercise Prices	Contractual life	Vesting conditions	No: of Outstanding Options
10c to 55c	10 years	5 year - linear vesting	4,632,295
10c to 45c	5 years	12 months - service vesting	4,837,778
10c to 55c	5 years	12 months - linear vesting	670,693
10c to 45c	2 years or less	Fully vested at time of grant	6,000,299
Total			**16,141,065**

Share options granted under the MoneySwitch Stock Option Plan and outstanding at the end of the year have the following exercise prices:

Expiry Date	Exercise Price	2006 No	2005 No
31-Dec-06	10c	120,000	120,000
31-Mar-07	10c	216,410	216,410
31-Dec-07	45c	2,777,778	-
19-Apr-08	10c	85,534	85,534
15-Jun-08	45c	4,444	4,444
01-Apr-09	10c	4,975,000	4,975,000
21-Nov-09	15c	886,667	886,667
15-Dec-09	15c	1,280,000	1,280,000
15-Jun-10	45c	111,111	111,111
17-Aug-10	45c	77,778	-
08-Feb-11	45c	512,821	-
08-Mar-11	45c	66,667	-
01-Apr-14	10c	2,175,000	2,175,000
13-Apr-14	10c	400,000	400,000
28-Jul-14	15c	122,333	122,333
15-Sep-14	15c	183,333	183,333
17-Nov-14	15c	333,333	333,333
06-Feb-15	15c	250,000	250,000
17-May-15	30c	66,667	66,667
15-Jun-15	45c	524,444	524,444
17-Aug-15	45c	105,556	-
21-Oct-15	45c	133,333	-
16-Nov-15	45c	11,562	-
08-Feb-16	45c	211,111	-
08-Mar-16	45c	208,120	-
05-Apr-16	55c	13,427	-
10-May-16	55c	288,636	-
		16,141,065	**11,734,276**

MONEYSWITCH LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2006

	30-Jun-06 $	30-Jun-05 $
8. PAYABLES (CURRENT)		
Due to other financial institutions	730	-
Bills payable	74,102	28,077
Accruals and other liabilities	63,647	-
Items in suspense	5,692	-
	144,171	28,077

9. PROVISIONS

	30-Jun-06 $	30-Jun-05 $
Accrued annual leave		
Balance at the beginning of the year	23,399	9,260
Additional provision recognised during the year	57,137	14,139
Balance at the end of the year	80,536	23,399
Current	80,536	23,399
Non-current	-	-
	80,536	23,399

10. CONTRIBUTED EQUITY & RESERVES

	30-Jun-06 $	30-Jun-05 $
(i) Ordinary Shares		
Issued and fully paid		
- 3,000,000 Ordinary shares paid at 10c each	300,000	300,000
- 10,333,333 Ordinary shares paid at 15c each	1,550,000	1,550,000
- 10,000,000 Ordinary shares paid at 30c each	3,000,000	3,000,000
- 8,111,112 Ordinary shares paid at 45c each	3,650,000	-
- 10,909,091 Ordinary shares paid at 55c each	6,000,000	-
	14,500,000	4,850,000

Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	No: Shares	$
Movement in ordinary shares on issue		
At 1 July 2004	7,000,000	900,000
Shares issued during the year:		
- 24 December, 2004, equity raising at 15c each	3,000,000	450,000
- 5 April, 2005 for cash on exercise of share options at 15c each	3,333,333	500,000
- 5 April, 2005, equity raising at 30c each	10,000,000	3,000,000
At 1 July 2005	23,333,333	4,850,000
Shares issued during the year:		
- 28 November, 2005, equity raising at 45c each	7,555,557	3,400,001
- 19 December, 2005, equity raising at 45c each	555,555	250,000
- 31 March, 2006, equity raising at 55c each	10,563,636	5,810,000
- 06 April, 2006, equity raising at 55c each	345,455	190,000
At 30 June 2006	**42,353,536**	**14,500,001**

	30-Jun-06 $	30-Jun-05 $

10. CONTRIBUTED EQUITY & RESERVES (cont'd)

(ii) Share-based payments reserve

	30-Jun-06 $	30-Jun-05 $
Balance at the beginning of the year	332,605	30,764
Share-based payments during the year	1,392,823	301,841
Balance at the end of the year	1,725,428	332,605

Nature and purpose of reserve

The share-based payments reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 7 for further details of these plans.

(iii) Retained earnings

Movements in retained earnings were as follows:

	30-Jun-06 $	30-Jun-05 $
Retained profits at the beginning of the financial year	(1,632,269)	(369,187)
Net Profit attributable to the shareholders of the entity	(4,386,098)	(1,263,082)
Retained profits at the end of the financial year	(6,018,367)	(1,632,269)

11. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES

Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the Company which have been recognised on the statements of financial position, is the carrying amount, net of any impairment losses.

Interest rate risk

The entity's financial assets and liabilities are subject to interest rate risk. These will fluctuate in accordance with movements in the market interest rates. The exposure to interest rate risk and the weighted average effective interest rates on the interest-bearing financial assets and liabilities of the Company are summarised in the table below. All other assets and liabilities disclosed on the statement of financial position are non-interest bearing.

Liquidity risk

Liquidity risk is the risk that the Company will have insufficient liquidity to meet its obligations as they fall due. This risk is managed by maintaining adequate cash resources for future expenditure and other financial commitments. At balance sheet date, the board of directors determined that there was sufficient cash resources available to meet its anticipated expenditure and other financial liabilities.

Foreign Currency risk

All foreign-currency denominated receivables and payables are translated at the exchange rate as at the balance sheet date.

Amounts receivable and payable in foreign currency that are not effectively hedged (denominated in Australian dollars) and will be affected by future currency movements:

			30-Jun-06	30-Jun-05
Bills payable				
- Visa International	U.S. Dollar	$	24,180	-
- Banksys	Euro	€	15,250	-

All other assets and liabilities of the Company are held in its functional currency, being the Australian dollar.

11. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES (cont'd)

30 June 2006	**< 1 year** **$**	**Total** **$**	**Weighted average interest rate (%)**
FINANCIAL ASSETS			
Floating rate			
Cash & cash equivalents	7,903,263	7,903,263	5.06%
Fixed rate			
Investment securities	1,553,677	1,553,677	4.92%

30 June 2005	**< 1 year** **$**	**Total** **$**	**Weighted average interest rate (%)**
FINANCIAL ASSETS			
Floating rate			
Cash & cash equivalents	3,154,563	3,154,563	5.17%

Interest on financial assets classified as floating rate is repriced at intervals of less than one year. Interest on financial assets classified as fixed rate is fixed until maturity of the asset. The other financial assets and liabilities not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Pre Establishment

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

Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

	Carrying value		*Fair value*	
	30-Jun-06 **$**	**30-Jun-05** **$**	**30-Jun-06** **$**	**30-Jun-05** **$**
Net fair values of financial assets are:				
Financial Assets				
Cash & cash equivalents	7,903,263	3,154,563	7,903,263	3,154,563
Receivables	393,077	361,240	393,077	361,240
Investment securities	1,553,677	-	1,544,664	-
	9,850,017	3,515,803	9,841,004	3,515,803
Financial Liabilities				
Payables	144,171	28,077	144,171	28,077
Provisions	80,536	23,399	80,536	23,399
	224,707	51,476	224,707	51,476
Off balance sheet				
Contingencies	1,540,000	-	1,540,000	-
	1,540,000	-	1,540,000	-

Contingencies

The Company has potential financial liabilities that may arise from certain contingencies disclosed in note 12. No material losses are anticipated in respect of any of those contingencies and the fair value disclosed above is the directors' estimate of amounts that would be payable by the Company in the event of a default.

	30-Jun-06 $	30-Jun-05 $
12. COMMITMENTS AND CONTINGENCIES		
(a) Contingent liabilities to other entities		
- Irrevocable standby letters of credit provided by the Company	1,540,000	-
	1,540,000	-
(b) Assets pledged as security to other entities		
Off-balance sheet facilities in respect of the above are secured by a fixed equitable mortgage over the Company's asset, the carrying amount of which is:		
- Investment securities (mature on 15 November 2006)	1,553,677	-
	1,553,677	-

The contingent liabilities relates to the irrevocable standby letters of credit provided to MasterCard International for $1,400,000 and Visa International for $140,000. These are one-year arrangements that are automatically renewed on a yearly basis. MasterCard International and Visa International may, at their discretion, increase the required amounts of the standby letters of the credit upon written request to the Company. The required amounts of the standby letters of credit are dependent on MasterCard International's and Visa International's view of their exposure to the Company.

The standby letters of credit were issued by the Commonwealth Bank of Australia to MasterCard International and Visa International on behalf of the Company and are secured by a equitable mortgage over the Company's investment securities detailed above. Under the arrangement, the company has the contractual obligation to issue the Commonwealth Government bonds to the Commonwealth Bank of Australia, if the Company defaults on its obligations to MasterCard International and/or Visa International.

13. CAPITAL COMMITMENTS

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

14. CONTROLLED ENTITIES

There are no controlled entities as at 30 June, 2006 nor were any acquired or sold during the period.

15. SUBSEQUENT EVENTS

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

16. FINANCIAL REPORTING BY SEGMENTS

The Company operates in the financial services industry in Australia.

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

MONEYSWITCH LIMITED

ABN 49 103 575 042

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2006

	30-Jun-06 $	30-Jun-05 $
17. AUDITOR'S REMUNERATION		
Amounts received or due and receivable by Ernst & Young:		
- an audit of the financial report of the entity	35,633	15,450
- other services in relation to the entity	86,927	59,377
	122,560	74,827

18. RELATED PARTY DISCLOSURES

No cash remuneration is paid to the Directors and Executives of the Company other than Mr. Peter Haig, an Executive who received salary and superannuation contributions amounting to $132,233 during the year.

Details of Key Management Personnel

Directors	Appointed
Richard Freemantle	20/06/2003
Jost Stollmann	5/04/2005
Paul A Wood	3/02/2003
William J Bartlett	14/04/2004
Denis A Calvert	14/04/2004
Robert Ferguson	14/11/2005
Thomas Girgensohn	9/03/2006
Executives	
Peter J Haig	3/02/2003
Bradford L Banducci	8/08/2005
John Hallis	14/02/2006

Compensation of Key Management Personnel

For the year-ended 30 June 2006	Short-term Benefits Salary & fees ($)	Post Employment Super-annuation ($)	Share-based Payments Options ($)	Total ($)
Directors				
Richard Freemantle	-	-	7,727	7,727
Jost Stollmann	-	-	77,603	77,603
Paul A Wood	-	-	77,603	77,603
William J Bartlett	-	-	7,727	7,727
Denis A Calvert	-	-	7,727	7,727
Rob Ferguson	-	-	9,511	9,511
Thomas Girgensohn	-	-	5,656	5,656
Executives				
Peter J Haig	33,315	98,918	46,128	178,361
Bradford L Banducci	-	-	735,549	735,549
John Hallis	-	-	73,727	73,727
	33,315	98,918	1,048,958	1,181,191

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2006

18. RELATED PARTY DISCLOSURES (cont'd)

Compensation of Key Management Personnel

For the year-ended 30 June 2005	Short-term Benefits Salary & fees ($)	Post Employment Super-annuation ($)	Share-based Payments Options ($)	Total ($)
Directors				
Richard Freemantle	-	-	12,733	12,733
Jost Stollmann	-	-	70,780	70,780
Paul A Wood	-	-	63,663	63,663
William J Bartlett	-	-	12,733	12,733
Denis A Calvert	-	-	12,733	12,733
Executives				
Peter J Haig	121,565	10,941	-	132,506
	121,565	10,941	172,642	305,148

Shareholdings of Key Management Personnel & Related Parties

30 June 2006	Outstanding at start of period 1-Jul-05	Shares Issued 2005	On exercise of options	Outstanding at end of period 30-Jun-06
Directors				
Cazalla Developments Pty. Limited	5,000,000	-	-	5,000,000
Richard Freemantle	-	1,111,112	-	1,111,112
Jost Stollmann	6,507,261	5,173,738	-	11,680,999
Paul Wood	3,253,630	1,245,454	-	4,499,084
Pamela Wood	3,253,631	1,245,454	-	4,499,085
Mark Wood	-	666,667	-	666,667
Tamoda Pty Ltd	2,500,000	331,313	-	2,831,313
William and Delwyn Bartlett	654,525	269,697	-	924,222
Robert Alexander Ferguson	-	2,949,495	-	2,949,495
Darcroft Pty Ltd	-	1,818,182	-	1,818,182
Executives				
Peter and Nola Haig	1,250,000	222,222	-	1,472,222
Bradford Leon Banducci & Anna Krystina	-	631,313	555,555	1,186,868
Mackbron Pty Ltd	-	181,818	-	181,818
Total	22,419,047	15,846,465	555,555	38,821,067

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2006

18. RELATED PARTY DISCLOSURES (cont'd)

Shareholdings of Key Management Personnel & Related Parties (Cont'd)

30 June 2005	Outstanding at start of period 1-Jul-04	Shares Issued 2005	On exercise of options	Outstanding at end of period 30-Jun-05
Directors				
Cazalla Developments Pty. Limited	2,333,333	2,666,667	-	5,000,000
Jost Stollmann	-	3,173,928	3,333,333	6,507,261
Paul Wood	1,166,666	2,086,964	-	3,253,630
Pamela Wood	1,166,667	2,086,964	-	3,253,631
Tamoda Pty Ltd	1,000,000	1,500,000	-	2,500,000
William and Delwyn Bartlett	333,334	321,191	-	654,525
Executives				
Peter and Nola Haig	500,000	750,000	-	1,250,000
Total	6,500,000	12,585,714	3,333,333	22,419,047

Option Holdings of Key Management Personnel

30 June 2006	Outstanding at start of period 1-Jul-05	Granted as Remuneration	Options exercised during the year	Outstanding at end of period 30-Jun-06	Exercisable at end of period 30-Jun-06
Linear/Service vesting schedule					
Directors					
Richard Freemantle	460,000	26,667	-	486,667	486,667
Jost Stollmann	886,667	133,333	-	1,020,000	1,020,000
Paul A Wood	2,000,000	133,333	-	2,133,333	2,133,333
William J Bartlett	360,000	26,667	-	386,667	386,667
Denis A Calvert	360,000	26,667	-	386,667	386,667
Rob Ferguson	-	32,821	-	32,821	32,821
Thomas Girgensohn	-	13,427	-	13,427	13,427
Executives					
Peter J Haig	1,260,000	-	-	1,260,000	900,000
Bradford L Banducci	-	211,111	-	211,111	211,111
John Hallis	-	102,564	-	102,564	102,564
	5,326,667	706,590	-	6,033,257	5,673,257
Fully vested at time of grant					
Directors					
Richard Freemantle	240,000	-	-	240,000	240,000
Jost Stollmann	-	-	-	-	-
Paul A Wood	750,000	-	-	750,000	750,000
Executives					
Peter J Haig	1,000,000	-	-	1,000,000	1,000,000
Bradford L Banducci	-	3,333,333	555,555	2,777,778	2,777,778
John Hallis		-	-	-	-
	1,990,000	3,333,333	555,555	4,767,778	4,767,778
Total	**7,316,667**	**4,039,923**	**555,555**	**10,801,035**	**10,441,035**

18. RELATED PARTY DISCLOSURES (cont'd)

Option Holdings of Key Management Personnel (cont'd)

30 June 2005	**Outstanding at start of period 1-Jul-04**	**Granted as Remuneration**	**Options exercised during the year**	**Outstanding at end of period 30-Jun-05**	**Exercisable at end of period 30-Jun-05**
Linear/Service vesting schedule					
Directors					
Richard Freemantle	300,000	160,000	-	460,000	380,000
Jost Stollmann	-	886,667	-	886,667	486,667
Paul A Wood	1,200,000	800,000	-	2,000,000	1,600,000
William J Bartlett	200,000	160,000	-	360,000	280,000
Denis A Calvert	200,000	160,000	-	360,000	280,000
Executives					
Peter J Haig	1,260,000	-	-	1,260,000	780,000
	3,160,000	2,166,667	-	5,326,667	3,806,667
Fully vested at time of grant					
Directors					
Richard Freemantle	240,000	-	-	240,000	240,000
Jost Stollmann	-	3,333,333	3,333,333	-	-
Paul A Wood	750,000	-	-	750,000	750,000
Executives					
Peter J Haig	1,000,000	-	-	1,000,000	1,000,000
	1,990,000	3,333,333	3,333,333	1,990,000	1,990,000
Total	**5,150,000**	**5,500,000**	**3,333,333**	**7,316,667**	**5,796,667**

Option Terms and Conditions

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

Type	*Terms and Conditions*
Linear vesting schedule	Options may be exercised linearly during the vesting schedule as to the shares subject to options, with vesting subject to maintaining continuos status as an employee or consultant with the Company.
Service vesting schedule	The options with service vesting schedule may be exercised as to a set number of shares per agreed day of consulting service, as defined in the specific option grant.
Fully vested at time of grant	Options may be exercised as to all shares from the vesting commencement date.

Other transactions with directors

There were no other transactions with directors.

Transactions with other related parties

None during the year.

19. TRANSITION TO AIFRS

MoneySwitch first adopted Australian equivalent of IFRSs (AIFRS) in 2005/2006 financial year, with a date of transition to Australian equivalents to AIFRS of 1 July 2004. Its last financial report under previous AGAAP was for the year ended 30 June 2005.

Exemptions Applied
Under AASB 2 Share-based Payment, from 1 July 2004 the Company is required to recognise an expense for options issued under the Company's Stock Option Plan. The Company has elected to apply the exemption under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, for AASB 2 to only recognise an expense for options granted after 7 November 2002 but that had not vested by 1 January 2005.

The impact of adopting AIFRS on the total equity and profit after tax as reported under previous Australian Generally Accepted Accounting Principles ("AGAAP") are illustrated below.

(a) Reconciliation of total equity as presented under previous AGAAP to that under AIFRS

	1-Jul-04 $	30-Jun-05 $
Total equity under AGAAP	563,204	3,551,963
Adjustment to retained earnings:		
Recognition of share-based payments expense (1)	(30,764)	(332,605)
Formation cost written-off (2)	(1,627)	(1,627)
Adjustment to other reserves:		
Recognition of share-based payment expense (1)	30,764	332,605
Total equity under AIFRS	561,577	3,550,336

(b) Reconciliation of profit before tax under previous AGAAP to that under AIFRS

	30-Jun-05 $
Profit after tax as previously reported under AGAAP	(961,241)
- Recognition of share-based payments expense (1)	(301,841)
Prior year profit before tax under AIFRS	(1,263,082)

19. TRANSITION TO AIFRS (Cont'd)

(1) Under AASB 2 Share based payments, the company would recognise the fair value of options granted to employees (including directors) as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. No such expense was recognised under AGAAP.

The effect of this on the Company is:
(i) Equity at transition : 1 July 2004
A decrease in retained earnings of $30,764, and an increase in reserves of $30,764, Net effect is zero.
(i) Equity at 30 June 2005
A decrease in retained earnings of $332,605, and an increase in reserves of $332,605, Net effect is zero.
(i) Profit for 30 June 2005
An increase in share-based payments expense of $301,841.

(2) A deferred charge of $1627, relating to legal costs incurred on establishment of the Company was recognised under previous AGAAP, but does not qualify for recognition as an asset under AIFRS.

The effect of this on the Company is:
(i) Equity at transition : 1 July 2004
A decrease in retained earnings of $ 1,627, and a corresponding decrease in non-current assets.

(c) Explanation of material adjustments to the cash flow statements
There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

MONEYSWITCH LIMITED

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DIRECTORS' DECLARATION

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

(1) In the opinion of the directors:

a. the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

i. giving a true and fair view of the company's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

ii. complying with Accounting Standards and Corporations Regulations 2001; and

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

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2006.

On behalf of the Board

Richard Freemantle	Jost Stollmann
Chairperson	Director and Chief Executive Officer

Sydney, 16 August 2006