



INTERMOCO
MONITORING AND CONTROL



2004 ANNUAL REPORT

Corporate Directory

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Intermoco is a leading provider of remote monitoring and control technology solutions. Intermoco's primary product is 'Utiligy' a complete end-to-end solution for automated meter reading.

Chairman's Review

I am particularly pleased with the progress made by the Company in a number of key areas through the course of the past year. Whilst sales revenue increased significantly it did not reach the mark we expected due to some unforeseen barriers within the domestic market and slower than expected progress in our targeted offshore markets. We have however consolidated our base and are well poised to make major gains for our stakeholders over the coming year.

The Company has been successful in raising a further \$2 million through the issuance of shares. In addition, we were pleased to announce an agreement with significant US-based Cornell Capital Partners to provide the Company with a \$10 million Equity Line of Credit. These achievements are most important to the Company's overall funding strategy and will support the achievement of our sales growth and expansion objectives until a net cash positive position is reached.

Whilst the domestic market for our products is growing significantly the Company has maintained a strong focus on targeting offshore markets in the Asia Pacific region. In line with this strategy we have established a joint venture company in Thailand and an agency in Singapore aimed at penetrating the significant markets for our products in these areas.

Over the past year we have made significant advances in the development of our core monitoring technology platform as well as our Utiligy, remote Automated Meter Reading Solution. These advances have taken the form of additional features such as integrated billing as well as operating system software upgrades providing additional benefits to the customer and improved system stability. This ongoing development is important as we strive to consolidate our competitive advantage as well as attract new customers and markets.

Intermoco now has technology installed at 35 sites across Australia as well as sites in New Zealand, Sri Lanka, Malaysia and Thailand. New projects completed during the year included installation of the Company's technology solutions for a major Victorian Government Department together with major retirement villages and student accommodation.


Further changes have been made at both the Board and senior management levels. Following the resignation of Allen Roberts as CEO and director of the Company, I was pleased to announce the appointment of Steve Black to the newly created position of Chief Operating Officer. Steve brings a wealth of senior management and operational experience gained in a broad range of governmental and statutory bodies as well as the private sector. I was also pleased to announce the appointment of Jeff Bennett as our new Company Secretary and Chief Financial Officer.

I announced the appointment of Dr Azman bin Ahmad to the Board, following the resignation of Dato Amanullah M. Yusooof. Dr Azman holds senior board positions on a number of significant companies in Malaysia and will provide valuable support to the Company especially in its international endeavours.

The markets for remote monitoring technology solutions are expanding steadily across a broad range of industries. Through our focused product development and our marketing base, we have continued to invest for future growth. We are now well positioned to achieve break through results and reward stakeholders.

I would like to thank managing director Martin Yii and all Intermoco staff for their enthusiasm, commitment and contribution over the past year. I would also like to thank my fellow directors for their diligence and guidance.

Finally I would like to thank all shareholders for their continued support.


Graeme W Shearer
Chairman



We have continued to invest in the future and we are well positioned to achieve break-through results and deliver significant rewards to our shareholders.

The 2003/04 financial year was one of steady progress for Intermoco.

Revenues from product sales increased by 60% to \$596,287 for the year. Whilst this was a significant increase on the previous year it fell short of expectations due to slower than anticipated progress both in the domestic market and markets offshore.

Sales however were made to some strategically important customers including Western Power, Citipower and the Victorian State Government and Brisbane City Council.

Proposals for further projects to the value of \$6.9 million have been submitted to current and potential customers and are currently under consideration with expectation of a high success rate.

The consolidated loss for the year was \$19.1 million. Of this \$15.1 million comprised non-cash items in the form of write downs of goodwill and intellectual property and investments. The net cash outflow from normal activities was \$4 million compared with \$4.7 million for the previous year.

The Company has made significant progress in reducing the working capital deficiency during the year. The Company raised a total of \$2 million in cash and extinguished loans to the value of \$2.7 million from the issuance of shares.

During the year the Company executed an Agreement with US based investment fund, Cornell Capital Partners Offshore, LP. This agreement provides the Company with a \$10 million Equity Line of Credit. This provides the Company with a flexible funding source, which is available to meet requirements for sales growth and expansion objectives.

The Company implemented a number of measures aimed at delivering greater efficiencies and reducing costs. The most significant initiative saw the Company relocate its premises from the Melbourne CBD to South Melbourne, achieving significant savings.

The Company has successfully penetrated the sub-metering energy market and is generating widespread interest in the shopping centre and high growth retirement village markets. Intermoco's Utiligy technology now incorporates a flexible, easy to use billing module, enabling customers to on-sell electricity and other services to their residents and tenants at reduced costs.

Intermoco has also developed the capability to monitor the complete range of utility services including electricity, gas, hot water and cold water. This cost effective addition to existing systems allows Intermoco to market its solution to water and gas utilities and to provide services to Body Corporates on-supplying gas and hot water services to their tenants.

Significant progress was made in the further development of the Utiligy technology, which has achieved a high degree of stability and reliability as well as additional features. The year saw the completion of an integrated billing system, which is capable of interfacing seamlessly with the customer's financial systems.

Intermoco has also further developed the Utiligy solution to allow greater flexibility and cost control in its implementation arrangements. High-rise and multi dwelling communities exhibit significant variations in their construction and the manner in which utility services are reticulated. Intermoco has developed additional networking arrangements, which provide a range of solutions, ensuring a cost effective solution is available for each type of building.



Management Review Continued

The Company completed a strategic project in Malaysia whereby its technology has been deployed to monitor LPG levels in gas tanks. Intermoco's core monitoring and control technology was successfully integrated with traditional sensors to remotely monitor gas levels, thus enabling remote reading and avoidance of the costly occurrence of commercial customers running out of gas.

Other significant projects included the Victorian Government's Department of Treasury and Finance, RMIT University, Bundoora Retirement Village and Brighton Classic Retirement Village.

During the year Victoria's regulatory body announced a roll out program for the installation of interval meters across Victoria. This will lead to significantly increased sales penetration for Intermoco's Utiligy solution through reduced capital cost.

We have strengthened our management team over the past year through the appointment of new senior personnel.

The safety of our employees is of paramount importance in our company's workplace environment. The Company has an active Occupational Health and Safety Committee, which meets regularly and is diligent in monitoring the workplace and initiating appropriate actions.

The future outlook is very promising.

The state of our technology, our positioning in the market place combined with the regulatory changes occurring across the domestic market in Australia should all lead to significant sales successes through the coming year. We have consolidated our presence in the South East Asian region, a strategy which should realise break through sales in the coming year.

We would like to express our sincere thanks to the Intermoco team for their hard work, dedication and contribution.

Martin Yii

Managing Director

Steve Black

Chief Operating Officer

Jeff Bennett

Chief Financial Officer

The future outlook is very promising with positive trends in Australia and South East Asia.

Revenue growth of 60% to **\$600,000** ✨ More than **\$6 million** in project quotations under consideration by both current and potential customers ✨ Over **3,000** points

currently monitored using the Intermoco's Utiligy AMR technology ✨ Export sales have been made to overseas markets including Malaysia, New Zealand, Sri Lanka and Thailand ✨ Over **2,270** shareholders now

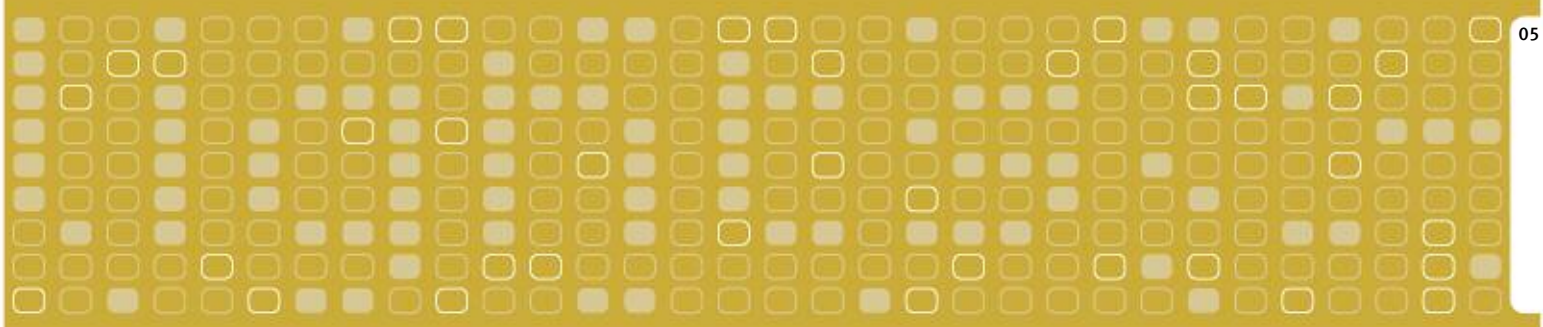
invest in Intermoco ✨ Approximately **\$2,000,000** of new capital raised during the year to fund projects and development ✨ **3 major projects won**

in the expanding Retirement Villages and Student Accommodation markets ✨ Technology developed enabling the monitoring of gas and water usage as well as liquid levels in storage tanks ✨ **In excess of**

20 new projects awarded during the year with key customers including: Brisbane City Council, RMIT, Geelong State Offices, Western Power, CitiPower, The

Victorian Government's Department of Treasury & Finance, Malaysia's national electricity provider - Tenaga Nasional Berhad, Thailand's Ministry of Energy and the Metropolitan Electricity Authority, Becton Classic Residences ✨ Mandating of interval meters across Victoria by the Essential Services Commission (ESC)

✨ Development of a multi channel "Smart Connector" which enables the monitoring of a range of inputs including water and gas meters, temperature and humidity



The Opportunity

Developing the Core Technology

Just three years ago, the Company commenced the task of developing an innovative, reusable core technology capable of delivering complete end-to-end solutions for monitoring and control applications across a broad range of industries. The technology platform is now fully developed with the potential for application in a variety of industries including utilities, energy management, building, water management and agriculture.

The market for monitoring and control products and solutions is expanding rapidly as more businesses recognise the potential for improved performance and efficiencies through their application. The Company embarked on a deliberate strategy to develop a core technology platform, which had the potential of forming the backbone for a range of significant applications, which were emerging.

Application of the Core Technology

Two years ago the Company targeted Automated Meter Reading (AMR) as the principle application of the core technology.

With the introduction of Full Retail Contestability in the national electricity market and the ever-increasing need of many organisations to improve their efficient use and distribution of electricity, a significant opportunity was identified for the Company to create a unique and complete end-to-end AMR solution, using the established technology backbone. The brand name for this AMR application is "Utiligy".

Utiligy has been marketed to a number of utilities and organisations and has been successfully deployed for use by large power utilities, government departments, retirement villages and bodies corporate in Australia and overseas.

The first commercial installation of the Utiligy solution was for Victorian electricity utility, CitiPower, at the MAB Newquay apartment complex in the prestigious Docklands precinct of Melbourne.

Since then, the Company has successfully deployed the solution into over 30 sites across Australia, including New South Wales for Integral Energy and Western Australia for Western Power. The Company has established close working relationships with the majority of Australia's key utilities.

Product development has progressed significantly over the past two years, with the Company's highly skilled team of engineers expanding the product range, often to meet the specific requirements of its customers.

Customer feedback has contributed to important innovations being introduced to the Company's products generally, and to Utiligy in particular. Features include theft and loss detection, Demand Side Management, Power Fail notification, on-demand data (via 2.5G GPRS wireless transmission) and an integrated billing package (to enable the on-selling of bulk electricity to retail customers).

Significant effort in this last area, combined with customisation for individual users, has resulted in a billing system that integrates seamlessly into the customer's financial management packages.

Significant resources are allocated to the ongoing development of new products and the enhancement of the valuable core technology. We are now completing our third generation of hardware development utilising the recent advances in Power Line Transmission technology (PLT).

Intermoco's Vision is to become a leading global developer and marketer of remote monitoring solutions with a reputation for commercial success, innovation and customer satisfaction.

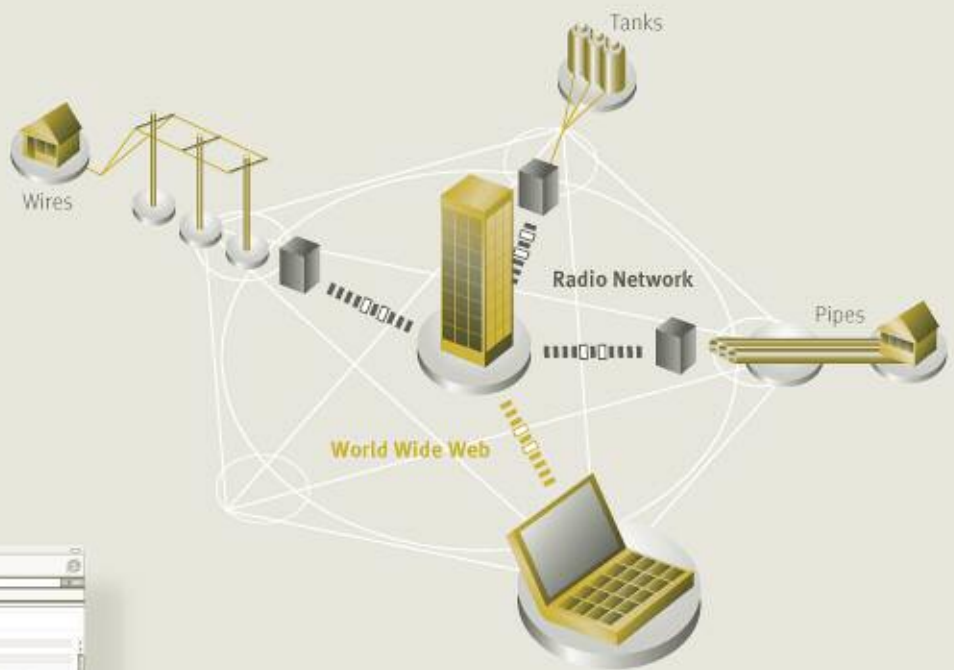
In addition to providing flexibility in implementation options and to ensure that Utiligy is cost effective across a wide range of buildings, a multichannel Smart Connector and meter interface capable of running on a 485 network has been developed. Software advances have concentrated on assuring data reliability with the ability to retrieve data over a month old that may have been missed due to imperfect communication either over the power network or over the GPRS network, or even due to equipment failure and replacement.

One of the Company's goals for the coming year will be the continued expansion of its marketing efforts to increase the awareness of its products in both domestic and international market places and to generate increasing sales revenue. Emphasis will continue to be placed on the Asia Pacific Region, where the Company has established an important presence in a number of countries including Malaysia, Thailand and Singapore.

Intermoco's proven core technology backbone has broad application in many areas including electricity, gas and water where monitoring and control solutions are required and uses a combination of wireless and powerline communication technologies to transmit data to central locations for presentation and delivery to customers via the internet.

Data is presented to customers via a secure and customised website in graphical, tabular and downloadable file formats for immediate use and now incorporates a billing package for embedded network and exempt customers.

A demonstration of Intermoco's Utiligy system is accessible at:
www.intermoco.com/UtiligyPortal/



Date	Start A (kWh)	Start B (kWh)	Start C (kWh)	Start D (kWh)	Total (kWh)
Jan 1, 2004	0.000	0.000	0.000	0.000	0.000
Jan 2, 2004	1.000	0.000	0.000	0.000	1.000
Jan 3, 2004	2.000	0.000	0.000	0.000	2.000
Jan 4, 2004	3.000	0.000	0.000	0.000	3.000
Jan 5, 2004	4.000	0.000	0.000	0.000	4.000
Jan 6, 2004	5.000	0.000	0.000	0.000	5.000
Jan 7, 2004	6.000	0.000	0.000	0.000	6.000
Jan 8, 2004	7.000	0.000	0.000	0.000	7.000
Jan 9, 2004	8.000	0.000	0.000	0.000	8.000
Jan 10, 2004	9.000	0.000	0.000	0.000	9.000
Jan 11, 2004	10.000	0.000	0.000	0.000	10.000
Jan 12, 2004	11.000	0.000	0.000	0.000	11.000
Jan 13, 2004	12.000	0.000	0.000	0.000	12.000
Jan 14, 2004	13.000	0.000	0.000	0.000	13.000
Jan 15, 2004	14.000	0.000	0.000	0.000	14.000
Jan 16, 2004	15.000	0.000	0.000	0.000	15.000
Jan 17, 2004	16.000	0.000	0.000	0.000	16.000
Jan 18, 2004	17.000	0.000	0.000	0.000	17.000
Jan 19, 2004	18.000	0.000	0.000	0.000	18.000
Jan 20, 2004	19.000	0.000	0.000	0.000	19.000
Jan 21, 2004	20.000	0.000	0.000	0.000	20.000

Achievements

Wins This Year

Government and ESC clarifications supporting the inclusion of a Body Corporate in the category of Owner/Occupier for the purpose of intermediary distribution and sale of electricity has led to the stabilisation and growth of this market segment. Intermoco lobbied determinedly to gain this situation and is now in negotiations with major Body Corporate Management companies to deliver discounted electricity supply to tenants/residents and an operational saving across common area expenditure for the body corporate.

Internationally this year Intermoco positioned itself to win major AMR tenders in the Asia Pacific area as pressure builds to better manage a limited resource base. The Utiligy solution has been and continues to be trialed in Malaysia, Thailand and Singapore, with the outcomes continuing to meet the changing demands in the region.

Contracted This Year

YMCA

This 700 unit student accommodation site in Carlton, Victoria, provides the ideal environment for the Utiligy solution to show its customer management capabilities. A new site being developed in Swanston St, Melbourne for 554 student accommodation units is planning to install the Utiligy solution to deliver a similar service.

Blue Hills Retirement Village and Becton's Brighton Classic Residences

These two sites continue to grow in size and Intermoco's installation and commissioning teams are keeping pace with the developments. It is expected that development will continue through the course of the coming year at both these sites.

Bundoora Retirement Village (Australian Retirement Communities (ARC))

A pilot installation at the Bundoora site for ARC has showcased the Utiligy solution and its capacity to manage complex sites. The in-floor heating and hot water consumption needed to be managed effectively to ensure maximum demand was contained at a reasonable level and that the residents received a discount on their bills.

During the year significant progress was made in penetrating the sub metering market. Intermoco now has an established presence in the Retirement Villages market segment and much groundwork has been undertaken in the Shopping Centre and Body Corporate market segments, which will lead to significant sales in the coming year.

AGILITY (AGL)

Agility have commenced selling the Utiligy solution to their customers to meet the demand for a solution that can assist in the management of embedded networks. Two significant clients are using or soon to be using the Utiligy solution

- **Melbourne Airport**

A mix of shops and commercial businesses.

- **Phileo**

Industrial site.

A continuing stream of clients is expected to flow from the agreement with Agility over the next twelve months.

Western Power

Steady growth in sales is being achieved in Western Australia assisted by the State Government supportive legislation providing numerous opportunities in new developments for the Utiligy solution.

Other Major Wins This Year

Agency Agreements have been established in Queensland and NSW to deliver sales in identified market segments. Already the Metropole Towers, a major apartment complex in the Brisbane CBD, in Queensland has been converted to the Utiligy solution. Negotiations with a number of other developers are underway and sales are expected to result from those negotiations during the coming year.

Hot Prospects

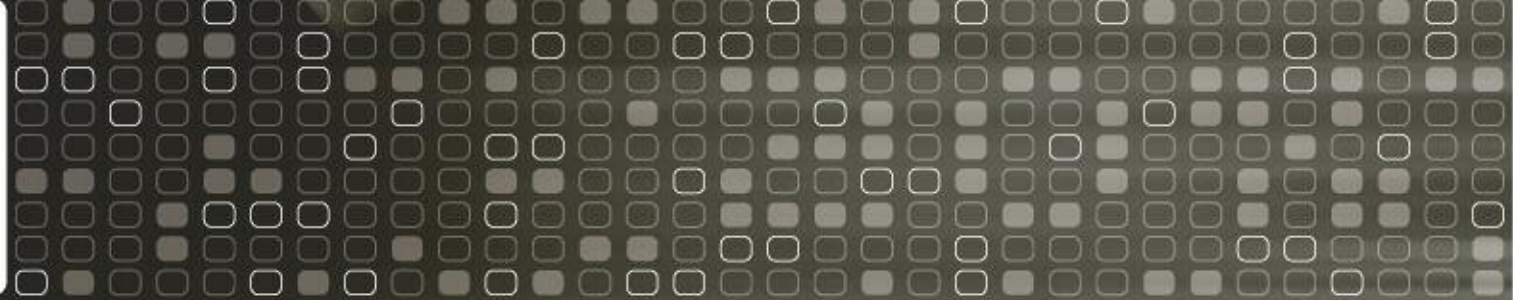
The ability of the Utiligy solution to collect data from various sources and data collection devices has placed Intermoco in a situation where we can explore broader fields of application for the Utiligy solution and its device components. With changes in software the Utiligy solution can be adapted to suit a number of industrial and commercial situations.

To meet their environmental objectives and to foster demand management of energy by consumers, the Victorian Government has launched an aggressive plan to have all meters in the electricity market replaced by interval meters by the year 2011. This has created an opportunity for Intermoco to market the AMR solution and its benefits to utility companies as they prepare plans to meet the required conversion rate and dates.

The Body Corporate segment in Victoria is significant and presents an enormous opportunity for the Utiligy solution. Sales and marketing activities are clearly focused on this segment for the coming year. Interstate opportunities are also available in the Body Corporate segment and Agencies are identifying sales opportunities.

Malaysia continues to present a significant opportunity for Intermoco. Intermoco has tendered for a major AMR project with high expectations of success.





Brighton Classic Residences Becton, Community-based Retirement Village

The Opportunity

Brighton Classic Residences (BCR) is a community retirement village with a mixture of apartment and villa unit accommodation in its 311 residential complex located on Nepean Highway, Brighton, Victoria.

BCR is a leading edge retirement facility providing residents with all modern conveniences brilliantly set out in a picturesque and well maintained site.

The Intermoco Solution

The Intermoco Utiligy solution provides BCR management with the ability to manage the on-selling of electricity from the administration office on site. Electricity is purchased at a wholesale rate with a single bill from the retailer each month for the total consumption at the BCR site, including common area consumption.

Intermoco's billing software application provides residents with a detailed account of their energy usage on a monthly basis and graphical comparison of consumption for the same period last year. The monthly bills are sent out by BCR management each month and a variety of payment methods result in the accounts settled by mid month.

Resident queries are easily resolved with detailed consumption details displayed on a daily basis, readily available at the administration office through the Utiligy secure web site.

The Benefits

BCR purchase electricity at the wholesale rate and sell to residents at up to 20% discount from the state regulated tariffs. This is a significant saving, especially as most of the residents are on fixed pension incomes.

As well as the savings to residents BCR management have benefited from a reduction in the common area electricity costs. This of course provides increased benefits to residents in non-direct ways through improved or additional services or lower fees.

In addition to these savings, additional revenue is able to pay for the infrastructure costs in less than 2 years. This could eventually lead to a further reduction in electricity tariffs for residents and/or other new services.

The Future

Becton's plans for its next retirement village have included metering arrangements to achieve on-selling from the very start of the site operations. In addition, Becton student accommodation buildings are being designed to incorporate the Intermoco Utiligy solution to provide on-selling of electricity to students.

Utiligy is deployed in the large student accommodation facility at College Square in Carlton, Victoria and a new site in Swanston St, Melbourne due to start construction in September, is assessing the use of the Utiligy Solution to on-sell electricity.

Intermoco services the retirement village industry with a valuable product that supports their provision of innovative services, cheaper electricity for residents and reduced operational costs. Brighton Classic Residences, the first of Becton's retirement villages is proof again that Intermoco provides measurable benefits through the Utiligy AMR solution.

Brighton Classic residents enjoy up to 20% savings.

Case Study 2 Treasury Place

Treasury Place - Department of Treasury and Finance, Victorian State Government, Melbourne Victoria

The Opportunity

The Victorian Government Departments of Premier & Cabinet and Treasury & Finance are housed in 2 major commercial office buildings comprising a total of 19 floors at 1 Treasury Place and MacArthur Street, Melbourne. These buildings also accommodate the Premier of Victoria, Deputy Premier, and a number of senior Government Ministers.

Originally built in the 1960's, the buildings share a common dual electricity supply and several other utilities. In particular, a single natural gas supply serves all 8 buildings in the Treasury Precinct and only 2 fresh water supply points exist. The Old Treasury Building also shares electrical and condenser water connections with 1 Treasury Place and 1 MacArthur Street.

The complexity of utility connections and lack of metering made it almost impossible to allocate energy use to departments, tenants, systems or even buildings in some cases.

The Intermoco Solution

The Utilities Management Group, the VGPG's Energy Manager gave careful consideration to the scope of the metering project. Emphasis was placed on the ability to allocate consumption to each building or department and the monitoring of large mechanical plant equipment. The final design included electricity, natural gas, fresh water and chilled water meters.

A total of 71 electricity meters, 5 gas meters and 1 water meter were installed. Of the 71 electricity meters, 23 (including 3 supply authority meters) are located in the basement plant room in a series of meter panels.

The remaining 48 electricity meters are located throughout the tenancy light and power distribution boards.

The meters send information to a centrally located Meter Data Concentrator (MDC) through existing power cabling. Data is then transmitted to Intermoco's National Operations Centre using GPRS (mobile phone system data network) technology. Information is then displayed on the Utiligy website and can be accessed by the customer from any computer with an Internet connection 24 hours a day, 7 days a week.

The Benefits

The new metering system allows VGPG, and its facilities management company Jones Lang LaSalle, to establish a comprehensive breakdown of electricity and gas consumption throughout the buildings. Already several observations such as weekend activity and high gas consumption in one area have been noted. Any future energy saving projects can now be accurately monitored to determine energy savings.

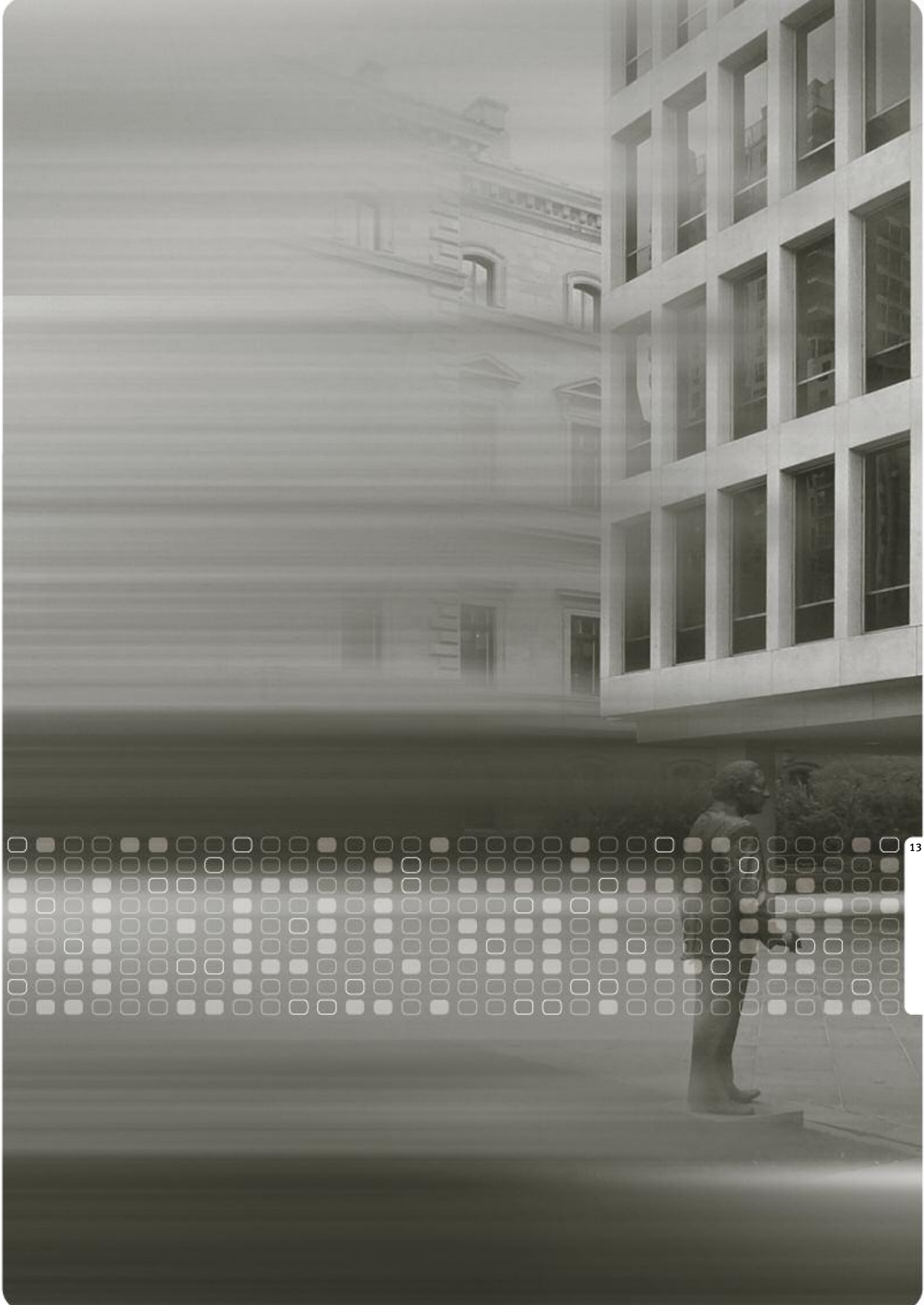
The Future

The VGPG's Energy Manager, together with UMG and the Facilities Managers Jones Lang LaSalle, are striving to optimise energy efficiency throughout the entire Treasury Precinct.

Following this successful project, Intermoco was awarded the contract for installation of Utiligy into the Geelong State Government Offices. This project was completed during the third quarter of the year.

A most significant success has been the winning of a tender put out by the Department of Treasury & Finance, Victorian State Government, for its Energy Management solution at Treasury Place in Melbourne. Intermoco competed against internationally established companies to win the right to provide an Energy Management solution for electricity, gas and water at Treasury Place. It is expected that the solution will be gradually implemented throughout the various state office buildings in Victoria.

If you can measure it, you can control it!



The AMR Opportunity An Industry Overview

The Legislative and regulatory frameworks for energy in Australia are state based, although there is a high level of co-ordination at the national level undertaken by the Australian National Electricity Market (NEM), which commenced operation in December 1998. The NEM was established as part of the deregulation of the Australian power industry. A key objective of the NEM is to promote competition at each stage of the electricity production and supply chain.

Many aspects of modern day living and development place pressures on our environment and accordingly there is a growing focus on technologies, which can deliver positive environmental outcomes.

Intermoco's Utiligy system achieves positive outcomes for the environment through its enablement of user focused demand management objectives. Utiligy enables savings in energy usage by providing real time access to energy consumption data, which is used to better understand consumption and modify usage patterns.

Reduced energy consumption reduces costs to businesses and consumers and reduces greenhouse gas emissions (GHG), a key negative impact on the environment. A further feature of Utiligy is the capacity to provide GHG generation figures down to each household level and to display that information on the consumers bill and on the website.

Regulatory bodies in Australia and overseas have also recognised the role of smart meters in developing a competitive electricity market. For example, the Commonwealth of Australia has recommended the national deployment of smart meters (Parer Report 2002), and the former Chairman of the Competition Authority (ACCC) has similarly called for their deployment to improve competition within the Industry.

More recently, the Victorian Essential Services Commission (ESC) has proposed the deployment of smart meters to all consumers in the state of Victoria commencing with AMR enabled smart meters to be deployed to larger business customers. The Minister for Energy has endorsed this program. Other states of Australia are also expected to adopt this policy over the next two to three years.

The many benefits to the environment from better demand management that a smart meter can offer are not realised without the addition of cost effective AMR technology. AMR enables utilities to use the data to better manage their assets and significantly improve their overall efficiency and increase profitability. The deployment of the Intermoco AMR technology to utilities and a range of other non-regulated users will deliver these benefits.

Other jurisdictions around the world are also focusing on strong environmental policies, recognising the benefits of deregulating electricity markets, and the need to embrace new technologies that allow them to introduce "demand management" policies. Demand management offers a solution to the dilemma faced by Governments and regulators of authorising the building of underutilised generating capacity to meet electricity peak consumption. Smart meters and AMR supporting innovative tariff structures and responsive customer consumption feedback loops are an essential element of a successful demand management strategy by Governments and regulators.

The accelerated rollout of interval meters, as supported by the Victorian Regulator's decision in March 2004 to mandate the rollout of smart interval meters for Victoria, presents further opportunities. This major deployment provides a real and immediate opportunity for Intermoco to sell its AMR product into the utilities concurrently with the deployment of their smart meters.



It also substantially reduces the capital cost incurred by any commercial or industrial customer installing Intermoco's AMR solution because the utility business will have already installed the smart meter. This means that the addition of Intermoco's AMR solution is now a simpler, less costly process.

Regulatory Change

Working with the regulatory environment within Australia, and pursuing opportunities to achieve change in that environment, presents a substantial opportunity to enhance Intermoco's performance in the market.

Intermoco will continue to work towards regulatory change across Australia.

In particular Intermoco is pursuing the following changes:

- The extension to License Exemption Regulations by clarification and extension of the regulatory framework under which persons and companies are excused from the requirement to hold a License to distribute, supply and on-sell electricity to customers located in the premises they own or occupy.

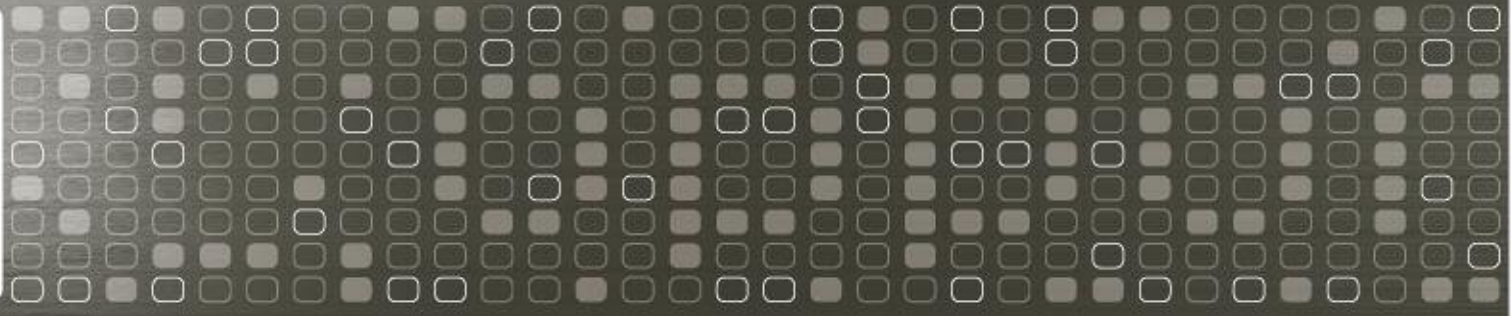
- The mandatory deployment of AMR metering in large, or secure buildings. Intermoco is seeking the adoption of regulations in NSW, Victoria, Queensland and South Australia, requiring the installation of AMR in all city buildings above 3 levels, with more than 20 meters installed or with security processes in place.

- The inclusion of AMR and smart meters in the Sustainable Housing Code, and extension of the Sustainable Housing Codes (SHC's), to include smart meters and AMR as cost effective preferences. SHC's list requirements or "options" developers must select from when seeking approval for new building developments.

- The mandatory deployment of smart meters throughout Australia commencing with the large power consumers and progressing to small business and residential sectors.

Close relationships have been developed and nurtured with many Australian regulators and government representatives and the Company continues to focus on presenting the benefits of interval meters and AMR to government environmental policies.

Intermoco's Utiligy solution supports the environment by enabling savings in energy usage.



The following key markets have been targeted for sale of the Company's range of products:

Utilities Markets

Sales of AMR to power and resource Utilities, including electricity, gas and water. The initial markets for the Company's AMR solution are the major utilities in Australia, Malaysia, Thailand, Indonesia, the USA, the UK and the Philippines. Utilities are attracted to the Intermoco AMR product by the need to better understand their customer usage profiles and the competitive pricing of the solution, in addition to the numerous efficiency and financial benefits that it delivers. The AMR solution is also attractive in overcoming the problems of providing services into secure, high and medium rise buildings.

The potential market for these key customers is most significant as detailed below.

Utility	Meter Numbers (Million)
Tenaga Nasional Berhad (Malaysia)	5.5
Meralco (Philippines)	7.0
PLN Persero (Indonesia)	2.9
Provincial Electricity Authority (Thailand)	8.0
Regional Electricity Co-ops (USA)	10.0
British utilities (UU and LEC)	5.0
Energy Australia (TCA) (Australia)	3.0
Integral Energy (Australia)	0.9
TXU (Australia)	1.0
Energex (Australia)	1.0
United Energy (Australia)	1.0
CitiPower/Powercor (Australia)	1.3

Sub Metering Markets

Sales within the sub metering market to commercial and industrial customers who on-sell energy and resources within their premises requiring management solutions, usage analysis and billing capability.

In particular operators of large developments in the commercial, industrial and residential markets are targeted.

Specific targets will include:

- Large building complexes and organisations with high level energy management needs
- Shopping centres, retirement villages and body corporate entities, and
- Commercial and industrial customers requiring energy management solutions and usage analysis for gas, water, chilled water, heat and street lighting.

Other Markets

Commercial and industrial customers requiring monitoring and control devices for applications such as dairy storage and processing, transport, LPG and retail petroleum storage facilities and sewerage monitoring.

Within the local market, the mandated deployment of smart meters changes the landscape for Intermoco's AMR products. The smart meters are being deployed primarily to support government environmental policies which focus on the broader implementation of user focused demand management objectives and innovative tariff options.

The increased information costs of supporting innovative tariffs and demand management change the economics of data collection. For example, supporting a time of use tariff involves recording and processing 2 readings per day. Maximum advantage from implementation of user-focused demand management policies is best achieved through more frequent customer billing and more accurate market settlement processes based on actual consumption rather than profiles.

These major policy shifts will drive Australian demand for AMR products. Once the initial "first-movers" adopt the technology, it is expected that remaining utilities will recognise the benefits and move quickly. Utilities, that adopt AMR, will enjoy a significant advantage over those who do not. This advantage will be in the form of improved information about their customers and in particular their network energy requirements, thus allowing them to generate considerable cost savings in energy forecasting and purchases.

Sales being pursued jointly with Ampy Email under the collaborative agreement will also provide opportunities in other countries, particularly in the Middle and Far East where Ampy Email is tendering for medium size deployments of smart meters that will also include Intermoco's AMR solution. These markets are new to Intermoco and the Company will rely on Ampy Email's international sales agents on the ground to support those initiatives.

Key Alliances



In achieving its business goals, Intermoco places great importance on the development of strategic alliances with a range of organizations. The following key alliances have been established and are highly valued by Intermoco.

Telecommunications

Telstra - provides local telecommunications services including the strategically important GPRS service for all remotely read meters in the Intermoco customer base. Customers are spread across a broad geographic area including northern Queensland, Brisbane, central NSW, Sydney, Victoria including Melbourne, Brighton, Cranbourne, Preston as well as Western Australia and Tasmania.

Vodafone New Zealand - provides GPRS services for Intermoco AMR solutions sold in New Zealand. Intermoco uses these services to transmit meter data read throughout the north and south islands back to the Company's National Operations Centre.

Maxis Communications - provides GPRS services for Intermoco AMR solutions sold throughout Malaysia. Intermoco uses these services to transmit meter data from Tenaga's and Gas Malaysia's meters to the Company's Operations Centre.

Meters

Ampy Email Metering and Intermoco signed a collaborative agreement in 2002. This agreement covers the joint sales and marketing of each company's technology as well as the joint development of metering and monitoring products. This agreement has been beneficial to both companies with significant sales of the Company's products being achieved in international markets. In addition, the agreement has led to the development of a unique integrated wireless Meter Interface Unit which incorporates the Ampy Email 3-phase electronic meter, the Q4.



Taking the Product to Market

By focusing on the 2 essential components of business growth, innovative products and customer driven solutions, Intermoco has demonstrated that it remains a leader in complete, turnkey, end-to-end AMR Systems.

This has required continual innovation and development of our propriety 3rd generation AMR platform as well as the development of the integration of the monitored data stream into our customers business systems.

This leads to improvements in our customers day-to-day business decisions based on up to date information not previously available.

It also builds on the significant business benefits already being delivered by our core system.

Technology

The significant improvements achieved with our 3rd generation platform involve both software and hardware developments.

Hardware development is focused on achieving:

- Reduced manufacturing and shipping costs
- Reduced logistics in terms of numbers of components
- Interface capability with a broad range of smart and passive sensors
- Improved installation processes in terms of cabling and connectors
- Utilisation of latest technology to avoid component obsolescence

Software development is focused on achievements leading to:

- Increased stability and reliability of data collection
- Ability to recover quickly from extended loss of communication
- Improved commissioning processes now suitable for mass rollout
- Automatic remote commissioning of AMR technology

Target Markets

The following markets are currently targeted and will remain so over the coming year:

- Electricity, gas and water meters owned directly by the Utilities as well as by resellers using embedded networks
- Sub metering market
- Petrochemical storage tanks for wholesale and retail operators
- Waste management tanks, pumps and systems
- Primary producers with liquid storage of their product
- Recycled water monitoring and management
- Monitoring and management of street lighting networks

We continue to develop innovative products with the aim of always providing a complete solution to customer requirements, adding value to the monitoring and control core business.





Board of Directors

Graeme W. Shearer

(age 57) B.Comm, BEd.
Chairman

Mr. Shearer was a founding Director of Intermoco Limited. He has extensive experience in general business management. He was appointed as a Director of the Company on 9 January 2001 immediately following the purchase by the Company of Intermoco Solutions Pty. Ltd. (then Australon Enterprises Australia Pty. Ltd.) and was appointed as Chairman of Intermoco Limited on 7 March 2002. Prior to joining the Company, he held senior positions with Telstra Corporation, following which he established his own management consultancy business. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

Martin Y.H. Yii

(age 40) BEng (Elec) (Hons)
Managing Director

Mr. Yii has spent a number of years managing a variety of engineering companies after graduating from Monash University with a degree in Electrical Engineering and, during that time, has been responsible for the establishment of a number of businesses. He brings to the Board considerable engineering and business experience and, in addition to his Australian business interests, Mr. Yii has successfully delivered to the Company a number of substantial contracts and opportunities from both the Asian and Middle East markets. He was appointed as a Director of the Company on 31 January 2002 and as Managing Director on 29 November 2002. He is Chairman of the Remuneration Committee.

Saiful A. Shahabudin

(age 44) B.BA, MBA, MICPA
Non-Executive Director

Mr. Shahabudin is currently the Managing Director of Sharikat Permodalan Kebangsaan Berhad ("SPK"), a Malaysian investment holding company whose subsidiaries are involved in technology, property and construction. SPK controls Austral System Sdn. Bhd., a substantial shareholder of the Company. He is also Trustee of M.U.S.T. Ehsan Foundation which was set up to establish the Malaysian University of Science and Technology in collaboration with the Massachusetts Institute of Technology. Previously, Mr. Shahabudin was a Partner of Andersen Worldwide and was in charge of Arthur Andersen's Corporate Finance and Enterprise Group Services in Kuala Lumpur. He holds an MBA from the University of Chicago, qualified as an American Certified Public Accountant and is a member of the Malaysian Institute of Certified Public Accountants. He was appointed as a Director of Intermoco Limited on 15 November 2002. He is a member of the Audit Committee.

Ir. Dr Azman bin Ahmad

(age 43) LLB (Hons)
Non-Executive Director

Ir. Dr. Azman bin Ahmad was appointed to the Board of Directors of SPK-Sentosa Corporation Berhad on 24 February 2003 and to Habib Corporation Berhad, he was appointed as a Director on 19 November 1997 and later appointed as Chairman of the Audit Committee on 26 November 1997. He is also a member of the Nomination Committee and Remuneration Committee of Habib Corporation Berhad. He is a qualified Civil Engineer, with a Ph.D in Engineering from University of Malaya. He is a corporate member of the Institution of Engineers, Malaysia and registered as a professional engineer with the Board of Engineers Malaysia. He has over 20 years of working experience in the engineering and corporate industry including consultancy, construction, property development and project management. Ir. Dr. Azman is currently the Executive Vice Chairman who sits on the board of Sharikat Permodalan Kebangsaan Berhad as well as other private companies.

Dato' Amanullah M. Yusoff

(age 36) LLB (Hons)
Non-Executive Director

Dato' Amanullah graduated with a Bachelor of Law (Hons) degree from the University of Cardiff, United Kingdom in 1991. He has over 10 years' experience in a variety of industries, having started his career as an executive with AIC Corporation Berhad in Malaysia during August 1994. From January 1997 to December 1999, he was the managing director of a subsidiary company of AIC Corporation Berhad. He left the AIC Corporation Group in December 1999 to establish his own business. He currently sits on the Board of Directors of various subsidiaries within the Sharikat Permodalan Kebangsaan Group and several other companies. Dato' Amanullah was appointed as a Director of Intermoco Limited on 15 November 2002. He resigned as a Director on 4 June 2004.

Allen C.G. Roberts

(age 54)
Executive Director

Mr. Roberts has thirty years' experience in the banking and finance industry, working for organisations such as ANZ Bank and Hong Kong and Shanghai Banking Corporation, including most recently as a Credit Executive at the Bank of Melbourne. In 1998, he left the banking industry to set up his own banking and finance consultancy business providing advice to a number of companies on a variety of financing aspects of their business including mergers and acquisitions, prior to joining the Board of Intermoco Limited. He was appointed as a Director of the Company on 26 February 2002 and resigned on 30 September 2003.

Directors Report

The directors of Intermoco Limited (the "Company") present the annual financial report for the financial year ended 30 June 2004. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Company during or since the end of the financial year are:

Graeme W. Shearer

Martin Y.H. Yii

Saiful A. Shahabudin

Dr. Azman bin Ahmad (appointed 4 June 2004)

Dato' Amanullah Mohamed Yusoof (resigned 4 June 2004)

Allen C.G. Roberts (resigned 30 September 2003)

The Company

Intermoco Limited is a company limited by shares that is incorporated and domiciled in Australia.

The consolidated entity employed 26 employees as at 30 June 2004 (2003: 31 employees).

Refer Note 33 for details pertaining to the Group's structure.

Principal Activity

The principal activity of the consolidated entity constituted by the Company and the entities it controlled from time to time during the financial year was the development and commercialisation of monitoring and control products and solutions.

During the financial year there was no significant change in the nature of this activity.

Results and Dividends

The net loss from ordinary activities of the consolidated entity was:

	2004	2003
	\$	\$
Net loss from ordinary activities before income tax expense	(19,134,611)	(19,146,409)
Income tax expense relating to ordinary activities	-	-
Net loss from ordinary activities	(19,134,611)	(19,146,409)

During the year ended 30 June 2004, no dividends were paid or declared by the consolidated entity.

Review of Operations

A detailed review of the operations of the consolidated entity is contained in the Chairman's Review and Management Review in this Annual Report.

Significant Changes in the State of Affairs

During the year ended 30 June 2004, the following significant changes in the state of affairs occurred:

- An increase in contributed equity of \$1,945,000 through the issue of 41,011,550 shares at an average price of 4.74 cents.
- Shares were also issued during the Financial Year to extinguish loans and to cover rental and fit-out of new premises. A total of 43,689,786 shares were issued at a value of \$2,724,366 at an average price of 6.24 cents.
- The company issued a total of 15,000,000 free attaching options as part of a private placement of 15,000,000 shares on 8 April 2004. Each option entitles the holder to acquire one further ordinary share in the Company at a price of 5.0 cents each at any time up to, and including, 30 June 2005.
- The company entered into an agreement with a significant US-based investment fund, Cornell Capital Partners Offshore, LP (Cornell), to provide the company with a \$10 million Equity Line of Credit. There is no mandatory or minimum drawdown amount and there are no fees payable to Cornell in respect of the unused portion of the Facility. Further the Agreement imposes no restrictions on the Company from raising equity and/or debt funds from any other source.
- On 30 September 2003, Mr. Allen C.G. Roberts resigned as a Director of the Company.
- On 4 December 2003, the Company announced the appointment of Mr. Steve Black as its Chief Operating Officer.
- On 7 May 2004, Thomas Howitt ceased as Company Secretary and Jeffrey Bennett was appointed Company Secretary of both Intermoco and its wholly owned subsidiary, Intermoco Solutions Pty Ltd.
- On 4 June 2004, Dato' Amanullah Bin Mohamed Yusoof resigned as Director and Dr Azman bin Ahmad was appointed Director of both Intermoco and its wholly owned subsidiary, Intermoco Solutions Pty Ltd.

Apart from the abovementioned matters, there were no significant changes in the state of affairs of the consolidated entity which have not been included elsewhere in this Annual Report.

Share Options

As at 30 June 2003, there was a total of 113,210,000 options outstanding over ordinary shares in the Company. Subsequent to that date, a total of 3,050,000 options were granted to employees of the Company pursuant to the Internoco Employee Option Plan. A total of 6,275,000 options that had been owned by former employees and directors of the Company were cancelled. On 8 April 2004, the Company granted a total of 15,000,000 options over ordinary shares in the Company to private investors as part of a private placement. Accordingly, as at 30 June 2004, there was a total of 124,985,000 options over ordinary shares outstanding. Holders of the abovementioned options do not have any right, by virtue of the options, to participate in any share issue of the Company or any related body corporate. Refer Note 26 for details.

Significant Events After Balance Date

- On 5 July 2004, the Company issued, by way of private placement, a total of 4,838,710 fully paid ordinary shares at an issue price of 3.1 cents each to raise a total of \$150,000 in cash, prior to the payment of expenses associated with the placement.
- On 2 August 2004, the Company issued, by way of private placement, a total of 18,300,000 fully paid ordinary shares at an issue price of 3.1 cents each to raise a total of \$567,300 in cash, prior to the payment of expenses associated with the placement.
- On 10 August 2004, the Company announced to the Market that a total of 2,650,000 options that had previously been granted to former employees of the Company pursuant to its Employee Option Plan had lapsed.
- On 9 September 2004, the Company announced to the Market that a total of 2,500,000 options that had previously been granted to a former employee of the Company pursuant to its Employee Option Plan had lapsed. Also 4,000,000 Director's options, each with an exercise price of 15.0 cents and an expiry date of 30 June 2006 were cancelled (no financial effect).
- On 21 September 2004, the Company held a meeting of its shareholders. The resolution to approve the issue of securities since 21 November 2003 was carried: 259,183,006 For and 1,700,501 Against; and
- On 24 September 2004, the Company received funds as part of a private placement. The particulars of this private placement as at this date, have yet to be finalised and will be announced to the market on completion.

Apart from these events, there were no other significant events which have occurred after balance date.

Future Developments

Future developments of the consolidated entity are outlined in the Chairman's Review and Management Review. Further information on likely developments in the operations of the consolidated entity and the expected results from those operations have not been included in this report as it is the opinion of the directors that their disclosure could be prejudicial to the interests of the consolidated entity.

Board Meetings

During the year ended 30 June 2004, the Directors of the Company met 26 times. The names of those individuals who served as Directors during the year, together with the number of meetings which they attended and those for which they were eligible to attend, have been detailed below:

Name of Directors and the period during which they served	Number of meetings attended during the year	Number of meetings for which they were eligible to attend
Graeme W. Shearer (1 July 2003 to 30 June 2004)	26	26
Martin Y.H. Yip (1 July 2003 to 30 June 2004)	25	26
Allen C.G. Roberts (1 July 2003 to 30 September 2003)	5	6
Saiful A. Shahabudin (1 July 2003 to 30 June 2004)	10	26
Dato' Amanullah M. Yusoff (1 July 2003 to 4 June 2004)	0	26
Ir. Dr Azman bin Ahmad (4 June 2004 to 30 June 2004)	1	1

The terms "Director" and "Officer" have been treated as mutually exclusive for the purposes of this disclosure. The elements of emoluments have been determined on the basis of the total cost to the Company. Executives are those directly accountable and responsible for the management and strategic direction of the Company.

Options granted as part of Director and Executive remunerations have been valued using the Black Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the share price, the risk-free interest rate, expected dividends, current market price of the share and the expected life of the option (refer Note 36).

Environmental Regulation and Performance

At the date of this Report, the consolidated entity holds interests in mineral exploration licences in South Australia. These licences impose regulations regarding environmental issues arising from exploration. There have been no known breaches of the conditions which apply in respect of any such licences.

Tax Consolidation

As at the date of this Report, Intermoco Limited has not yet decided whether it will be consolidating for tax purposes.

Indemnification and Insurance of Directors

During the year ended 30 June 2004, the Company did not provide any Directors of the Company with any form of indemnification or insurance, nor has it entered into any agreement with any such individual to do so in the future.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Intermoco Limited support, and have adhered to, the principles of corporate governance. A statement regarding the Company's corporate governance policies is included in the Corporate Governance Statement, which follows.

Signed in accordance with a resolution of the Directors.



Graeme W. Shearer

Chairman

Melbourne, 30 September 2004



Corporate Governance Statement

The Board of Intermoco Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Intermoco Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of Intermoco is committed to complying with the Principles of Good Corporate Governance and Best Practice Recommendations issued by the ASX Corporate Governance Council. To this end the Company already complies with many of the Recommendations. This Corporate Governance Statement provides information on those recommendations with which the Company does not fully comply, together with actions being taken which will lead to full compliance during the coming year.

Responsibilities and functions of the Board

The Board is responsible for setting the strategic direction of the Company and for guiding and monitoring its businesses and affairs. Directors are accountable to the shareholders for the Company's performance. The Board reviews and approves the Company's business plans and strategic policies. Day to day management of the Company's affairs and the implementation of the plans and policies are delegated to the Managing Director and senior executives.

A functional statement detailing the responsibilities of the Board and management is being developed and will be published on the Company's website by the end of the calendar year.

Composition of the Board

The qualifications of each Director in office at the date of this Annual Report are included in the Director's Report. Directors of Intermoco are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. At this point in time, all Directors have associations with major shareholdings.

The composition of the Board is currently determined using the following principles:

- The Board should be comprised of a minimum of three and a maximum of ten directors, and currently numbers four.
- The Board should have a broad range of expertise.

The composition of the Board is currently under review with the view to appointing an independent director. Due to the small size of the Board, a Nomination Committee has not been appointed. The Board deals with the appointment of new directors subject to shareholder approval at the next General Meeting.

One third of the directors, except the Managing Director, retire by rotation each year, but may offer themselves for re-election for a further three year period.

All directors are expected to prepare fully for all Board meetings and to attend as many Board meetings as is reasonably practicable.

Ethical and responsible decision making

Directors shall not vote in respect of any contract or arrangement or proposed contract or arrangement in which they have, directly or indirectly, a material interest. In addition, directors shall not be present while such matters are being considered at a meeting of directors, unless permitted to do so in accordance with the requirements of the Corporations Act 2001 and ASX Listing Rules.

The Company's Code of Conduct for Directors and Executives is currently under review and will be finalised and published on the Company's website by the end of the calendar year.

Integrity in financial reporting

The COO and CFO provided the Board with an unqualified statement in accordance with Recommendation 4.1 regarding the integrity of the financial statements. This sign off is based on the existence of a robust and effective financial statement close process which ensures that the resultant financial statements comply with accounting standards and provide a true and fair view of the company's financial performance and position.

The Board has appointed an Audit Committee comprising Messrs Shearer and Shahabudin. The role of the Audit Committee is to ensure that an effective framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, including the safeguard of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations.

The Committee is responsible for the nomination of the external auditor and reviews the adequacy of the scope and quality of the annual audit and half-year review, and provides the Board with additional assurance regarding the reliability of financial information. The Audit Committee Charter is currently under review. Due to the small number on the current board and the non-independence of directors it is not possible to conform to the structure of Recommendation 4.3.

Continuous disclosure

The Board is aware of its obligations in respect to continuous disclosure of material information and embraces the principle of providing access to that information to the widest audience of investors. The Company has adopted a continuous disclosure protocol, which outlines management's reporting requirements and ensures material information is formally notified in a prompt and timely manner. Information is regularly reported in the Annual Report, half-yearly report and quarterly reports.

Communication with shareholders

The Company has established an Internet site that includes a section for Investor Information. To ensure provision of equal access to material information, a copy of all ASX announcements are also placed on this site.

All shareholders have been invited to nominate their preference regarding the means with which the Company communicates with them. An electronic email option has been included. A detailed Communications policy is currently being updated.

Risk management

As mentioned earlier in this report, a functional statement spanning the Board, Board Committees and senior executives is currently being developed.

The Board is responsible for ensuring that the management's objectives and activities are aligned with expectations and risks identified by the Board. Specific actions taken by the Board include the oversighting of the preparation and analysis of the business plan, financial budgets and documentation of all Company processes.

All key processes have been documented and are subject to ongoing internal audit and bi-annual external audit under the Quality Assurance Certification process.

The Board supports Recommendation 7.2 which requires the COO and CFO to state to the Board that the statement given in accordance with Recommendation 4.1, regarding the integrity of the financial statements, is based on a sound system of risk management and internal compliance and control which implements the policies of the Board and which has operated effectively and efficiently during the period.

The Board and management have expended significant effort developing and implementing robust processes and policies to support sign off of the system of risk management and internal control in future financial years, these processes have not been in place for the entire reporting period and as such the COO and CFO are not in a position to provide sign off in accordance with Recommendation 7.2.

Like many listed companies of a like size, Intermoco's accounting systems and controls, whilst suitable to meet the recording, processing and reporting needs of the company, do not result in the documentation necessary to implement testing of internal controls. Notwithstanding that the current system meets the needs of the company, Intermoco sees merit in enhancing the current procedures so as to be in a position to provide sign off in accordance with Recommendation 7.2. As already noted, this process was commenced during the 2004 financial period and sign off of the system of risk management and internal compliance and control is anticipated for the period ended 30 June 2005.

Performance measurement

The performance of senior executives is monitored and measured under the employee Performance Review Scheme. Performance is reviewed bi-annually. The Chairman is responsible for overseeing implementation of the Performance Review Scheme. The Chairman also monitors and reviews the performance of Board members and takes action as appropriate.

Remuneration Committee

The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Managing Director and Senior Executives and Directors themselves. This includes responsibility for the Employee Share Option Scheme. As at the date of this Report, the members of the Remuneration Committee were Messrs Yii (Chairman) and Shearer.

Details on the amount of remuneration and all monetary and non-monetary components for each of the five highest paid (non-director) executives during the year and for all directors are contained in the Directors' Report.

Statement of Financial Performance

Year ended 30 June 2004	Notes	Consolidated		Intermoco Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
Revenues From Ordinary Activities	2	596,287	541,488	2,857	289,322
Depreciation and amortisation expenses	3	(13,381,972)	(8,551,890)	(13,912)	(4,049)
Acquisition-related expenses written-off	3	-	(4,653,997)	-	(4,653,997)
Salaries and employee benefits expenses		(2,591,093)	(3,084,236)	(651,186)	(991,290)
Exploration and evaluation costs written down/off	3	(120,000)	(1,170,544)	-	(800,998)
Research and development costs written down	3	-	(245,061)	-	-
Carrying value of investments sold		-	(201,191)	-	(201,191)
Share of losses of associated companies accounted for using the equity method	12	(394,913)	(119,105)	-	-
Borrowing costs - other persons	3	(64,605)	(18,440)	(51,783)	(13,161)
Write-down of loans to controlled entities	3	-	-	(2,705,856)	(2,688,279)
Write-down of investments	3,12	(1,217,232)	-	(15,237,236)	(9,058,579)
Marketing and business development expenses		(34,273)	(71,912)	(15,159)	(38,519)
Cost of goods sold	3	(535,022)	(121,243)	-	-
Other expenses from ordinary activities		(1,391,788)	(1,450,278)	(700,659)	(806,922)
Loss from ordinary activities before income tax expense		(19,134,611)	(19,146,409)	(19,372,935)	(18,967,663)
Income tax expense relating to ordinary activities	4	-	-	-	-
Net loss		(19,134,611)	(19,146,409)	(19,372,935)	(18,967,663)
Less net adjustment to outside equity interest	5	-	5,425	-	-
Net loss attributable to members of Intermoco Limited	25	(19,134,611)	(19,151,834)	(19,372,935)	(18,967,663)
Share issue costs		(369,325)	(273,425)	(369,325)	(273,425)
Total revenues, expenses and valuation adjustments attributable to members of Intermoco Limited and recognised directly in equity		(369,325)	(273,425)	(369,325)	(273,425)
Total changes in equity other than those relating from transactions with members as members		(19,503,936)	(19,425,259)	(19,742,260)	(19,241,088)
Basic loss per ordinary share (cents per share)	32	(3.3)	(3.7)		
Diluted loss per ordinary share (cents per share)	32	(3.3)	(3.7)		

Statement of Financial Position

Year ended 30 June 2004	Notes	Consolidated		Intermoco Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
Current assets					
Cash assets	6	41,045	46,984	10,276	40,404
Receivables	7	35,301	448,770	-	168,122
Inventories	8	451,052	500,033	-	-
Other financial assets	9	1,000	26,000	-	-
Other	10	-	13,430	-	8,911
Total current assets		528,398	1,035,217	10,276	217,437
Non-current assets					
Receivables	11	-	-	108,550	876,677
Investments accounted for using the equity method	12	33,085	1,612,145	-	-
Other financial assets	13	-	-	32,017,290	47,221,497
Property, plant and equipment	14	445,858	451,279	171,018	18,482
Intangible assets	15	32,224,207	45,490,248	-	-
Deferred exploration and evaluation costs	16	-	-	-	-
Other	17	-	-	-	-
Total current liabilities		32,703,150	47,553,672	32,296,858	48,116,656
Total assets		33,231,548	48,588,889	32,307,134	48,334,093
Current liabilities					
Payables	18	2,112,982	1,742,201	1,353,881	1,389,662
Interest-bearing liabilities	19	538,966	1,403,642	504,520	1,400,000
Provisions	20	92,600	149,193	20,502	37,486
Other	21	45,015	6,000	-	-
Total current liabilities		2,789,563	3,301,036	1,878,903	2,827,148
Non-current liabilities					
Interest-bearing liabilities	22	-	8,908	-	-
Provisions	23	14,181	16,572	427	6,249
Total non-current liabilities		14,181	25,480	427	6,249
Total liabilities		2,803,744	3,326,516	1,879,330	2,833,397
Net assets		30,427,804	45,262,373	30,427,804	45,500,696
Equity					
Parent entity interest					
Contributed equity	24	104,188,529	99,888,487	104,188,529	99,888,487
Accumulated losses	25	(73,760,725)	(54,626,114)	(73,760,725)	(54,387,791)
Total parent entity interest in equity		30,427,804	45,262,373	30,427,804	45,500,696
Total outside equity interest	5	-	-	-	-
Total equity		30,427,804	45,262,373	30,427,804	45,500,696

Statement of Cash Flows

Year ended 30 June 2004	Notes	Consolidated		Intermoco Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
Cash flows used in operating activities					
Receipts from customers		915,436	23,596	-	-
Payments to suppliers and employees		(3,734,292)	(4,724,799)	(1,055,077)	(1,713,813)
Net GST received		324,784	341,433	216,776	207,736
Interest received		3,595	53,718	2,857	52,322
Borrowing costs - other persons		(2,585)	(18,440)	-	(13,161)
Receipt of bond		25,000	-	-	-
Exploration and evaluation costs		-	(119,546)	-	-
Net cash flows used in operating activities	27	(2,468,062)	(4,444,038)	(835,444)	(1,466,916)
Cash flows from/(used in) investing activities					
Proceeds from the sale of plant and equipment		-	2,000	-	2,000
Proceeds from the sale of listed securities		-	135,000	-	135,000
Receipt of call option fees		-	100,000	-	100,000
Purchase of plant and equipment		(60,741)	(143,609)	(16,448)	-
Purchase of interests in associates		(33,085)	(1,731,250)	(33,085)	(1,731,250)
Acquisition-related costs		(309,122)	(3,795,734)	(309,122)	(3,795,734)
(Acquisition)/redemption of bonds and deposits		-	(1,000)	-	-
Net cash flows from/(used in) investing activities		(402,948)	(5,434,593)	(358,655)	(5,289,984)
Cash flows from financing activities					
Proceeds from the issue of ordinary shares		1,945,000	5,647,875	1,945,000	5,647,875
Advances from related parties		1,042,213	1,400,000	1,017,500	1,400,000
Finance lease principal		(2,817)	(3,317)	-	-
Capital raising expenses		(119,325)	(273,425)	(119,325)	(273,425)
Net advances to related parties		-	-	(1,679,204)	(2,987,389)
Net cash flows from financing activities		2,865,071	6,771,133	1,163,971	3,787,061
Net increase/(decrease) in cash held		(5,939)	(3,107,498)	(30,128)	(2,969,839)
Add: opening cash brought forward		46,984	3,155,470	40,404	3,010,243
Add: effect of exchange rate changes on cash		-	(988)	-	-
Closing cash carried forward	6	41,045	46,984	10,276	40,404

Note 1: Summary of significant accounting policies**Basis of accounting**

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

The financial statements have been prepared on a going concern basis. The consolidated entity incurred an operating loss after income tax of \$19,134,611 for the financial year ended 30 June 2004, which included non-cash items totalling \$15,114,117. As at 30 June 2004, the consolidated entity held cash reserves of \$41,045. The Directors believe that, although there is significant uncertainty, the Company and the consolidated entity will be able to continue as going concerns on the basis that sufficient funds will be generated from a combination of sources during the coming twelve-month period. Details of these sources and other factors which the Directors have taken into consideration when forming their belief are detailed below.

1 Sales from domestic market. During the period from 1 July 2004 to the date of this Annual Report, the Company received cash from the sale of its monitoring and control technology of \$57,000, with outstanding debtors in respect of further sales of \$170,000. As at that date, additional contracts with a value of approximately \$753,000 have been secured, with further proposals having been submitted by the Company to existing and potential customers with a value in excess of \$4,625,000. The Directors anticipate that a significant proportion of these proposals will be awarded to the Company.

2 Sales from international market. The Directors believe that successful trials of the Company's technology which have already been completed for large south-east Asian customers will lead to other contracts being awarded to the Company. Internal forecasts in respect of the year ending 30 June 2005, show estimated gross revenues currently being negotiated to be in excess of \$32,500,000. Tenders have been submitted and are currently under negotiation however, contracts are yet to be signed.

3 Fundraising. The Company, on the 5 April 2004, signed an agreement with a significant New York based investment fund, Cornell Capital Partners Offshore, LP (Cornell), to provide the Company with a \$10 million Equity Line of Credit. The equity facility gives the Company financial security while providing substantial flexibility to drawdown on funds together with the freedom to use alternative funding sources. In summary, the Company can issue ordinary shares to Cornell in tranches of \$150,000 up to a maximum total of \$10 million for a period of five years from the date of the agreement. There is also no mandatory or minimum drawdown amount and there are no fees payable to Cornell in respect of the unused portion of the unused facility.

On 5 July 2004, the Company issued a total of 4,838,710 shares in the Company to raise a total of \$150,000, and on 2 August 2004, issued a further 18,300,000 shares to raise a total of \$567,300 in working capital. Further, the Company is currently in negotiation with a number of interested parties and the Directors are confident that additional applications for shares in the Company will be secured in the short term.

4 Creditor management. Repayment schedules in respect of certain larger debts have been offered and accepted by relevant creditors, with payment schedules in place in respect of \$500,175 of outstanding amounts.

5 Cost reduction measures. With the successful completion of its underlying core technology, the Company is increasing its focus on the commercialisation of its products to generate further revenues. In addition there is a concerted focus to reduce production/product costs, resulting in increased margins.

The ability of the Company and the consolidated entity to continue as going concerns is dependent on the achievement of the above items. If the Company and the consolidated entity are unable to continue as going concerns, they may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities, that might be necessary should the Company or the consolidated entity not be able to continue as going concerns.

Note 1: Summary of significant accounting policies Continued

Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Intermoco Limited (the parent entity) and all entities which Intermoco Limited controlled from time to time during the year and at balance date. Information from the financial statements of subsidiaries is included from the date the parent entity obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent entity obtains control.

Subsidiary acquisitions are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Foreign currencies

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction. Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year. Amounts payable to, and by, the entities within the consolidated entity that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year.

All overseas operations are deemed to be integrated, as each is financially and operationally dependent on Intermoco Limited. The financial reports of overseas operations are translated using the current rate method and any exchange differences are written off during the period in which they arise.

Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts. Bank overdrafts, if any, are carried at the principal amount. Interest is charged as an expense as it accrues.

Trade and other receivables

Trade receivables are recognised and carried at the original invoice amount less any provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Receivables from related parties are recognised and carried at the nominal amount due. Interest receivable is taken up as income on an accruals basis. Bills of exchange and promissory notes are measured at the lower of cost and net realisable value.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted as follows:

Raw materials

Purchase cost on a first-in-first-out basis.

Finished goods and work in progress

Purchase cost on a first-in-first-out basis.

Recoverable amount

Non-current assets are not carried at an amount above recoverable amount and, where carrying values exceed this recoverable amount, assets are written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value using a market determined risk adjusted discount rate.

Property, plant and equipment

Consistent with prior years, the major depreciation rates, using both diminishing value and prime cost methods, for each class of fixed asset in respect of the years ended 30 June 2003 and 2004 are stated below. All figures are in percentage terms.

Office equipment	11.25	Technical equipment	15
Motor vehicles	22.5	Testing equipment	37.5
Computer hardware	37.5	Leasehold improvements	11.25
Computer software	40	Leased assets	7.5

Intangibles

Intellectual property

Intellectual property is carried at cost and is amortised on a straight-line basis over its estimated useful life, being 5 years.

Goodwill

Effective as from 1 July 2003, the Company reduced the period over which the consolidated Group's goodwill arising on consolidation is amortised. The effect of this change is to double the annual amortisation expense being charged against the Group's goodwill. In turn, this accelerated charge will reduce the future period over which the goodwill is to be amortised from 6.5 years (as at 31 December 2003) to 3.25 years. The financial effect of this adjustment in this full-year is an additional amortisation expense of \$4,873,020.

Formation expenses

Formation expenses are amortised over a period of three years using the straight-line method.

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group are capitalised at the present value of the minimum lease payments and disclosed as leased assets in the property, plant and equipment note to the financial report (refer Note 14). A lease liability of equal value is also recognised. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance. The cost of improvements to, or on, leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Investments

Investments in associates are carried at the lower of the equity-accounted amount and the recoverable amount in the consolidated financial report.

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. The unamortised component of any research and development costs which have been capitalised in the Statement of Financial Position are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which represents the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principle amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

Note 1: Summary of significant accounting policies Continued

Interest-bearing liabilities

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues. Finance lease liabilities are determined in accordance with the requirements of Accounting Standard AASB 1008 Leases.

Provisions

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

Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

Taxes

Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent that timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless it is virtually certain of being realised. The income tax expense for the year is calculated using the 30 percent tax rate.

Goods and services tax (GST)

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 a part of the cost of acquisition of the asset or as part of the expense item as applicable, and in respect of receivables and payables which are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Taxation Office are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Taxation Office.

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:

Sale of goods

Control of the goods has passed to the buyer.

Rendering of services

Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

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, sick leave and any other employee benefits expected to be settled within 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. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits, and other types of employee benefits, are recognised against profits on a net basis in their respective categories.

The value of options issued pursuant to the Employee Option Plan described in Note 26 is not being charged as an employee entitlement expense.

Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Comparative information

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



Notes to the Financial Statements Continued

Year ended 30 June 2004	Consolidated		Intermoco Limited	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 2: Revenue from ordinary activities

Revenues from operating activities				
Revenue from the sale of goods	472,698	180,819	-	-
Revenue from services	119,994	69,952	-	-
Total revenues from operating activities	592,692	250,771	-	-
Revenues from non-operating activities				
Proceeds from the sale of investments	-	135,000	-	135,000
Proceeds from the sale of fixed assets	-	2,000	-	2,000
Interest from other entities	3,595	53,717	2,857	52,322
Call option fee	-	100,000	-	100,000
Total revenues from non-operating activities	3,595	290,717	2,857	289,322
Total revenues from ordinary activities	596,287	541,488	2,857	289,322

Note 3: Expenses and Losses/(gains)

Expenses

Depreciation of non-current assets				
Office equipment	5,837	6,448	1,340	1,335
Motor vehicles	1,808	2,467	-	-
Computer hardware	30,899	41,283	742	1,183
Computer software	27,834	20,852	-	-
Technical equipment	14,813	18,049	286	456
Testing equipment	13,992	11,901	-	-
Total depreciation of non-current assets	95,183	101,000	2,368	2,974
Amortisation of non-current assets				
Intellectual property	3,600,000	3,600,000	-	-
Goodwill arising on acquisition	9,666,040	4,833,020	-	-
Leasehold improvements	19,839	16,869	11,544	1,075
Leased assets	910	1,001	-	-
Total amortisation of non-current assets	13,286,789	8,450,890	11,544	1,075
Total depreciation and amortisation expenses	13,381,972	8,551,890	13,912	4,049
Borrowing costs				
Directors	-	-	-	-
Directors personally related entities	51,783	10,247	51,783	10,247
Other	12,832	8,193	-	2,914
Total borrowing costs	64,615	18,440	51,783	13,161
Bad debts written off	-	7,810	-	-
Share of net losses of associates	394,913	119,105	-	-
Decrement in value of inventories	6,320	38,166	-	-
Cost of goods sold	535,022	121,243	-	-

Year ended 30 June 2004	Consolidated		Intermoco Limited	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 3: Expenses and Losses/(gains) Continued

Losses/(gains)

Net loss/(gain) on sale of listed shares	-	65,000	-	65,000
Foreign exchange loss/(gain)	-	4,734	-	-
Net loss/(gain) on disposal of PPE	100,232	(809)	-	(809)

Specific items

Acquisition-related expenses written-off	-	4,653,997	-	4,653,997
Exploration and evaluation costs written down/off	120,000	1,170,544	-	800,998
Research and development costs written down	-	245,061	-	-
Write-down of loans to controlled entities	-	-	2,705,856	2,688,279
Write-down of investments	1,217,232	-	15,237,236	9,058,579

Note 4: Income tax

The prima facie tax, using tax rates applicable in the country of operation, on the operating loss differs from the income tax provided in the financial statements as follows:

Operating loss before income tax	(19,134,611)	(19,146,409)	(19,372,935)	(18,967,663)
Prima facie tax on loss from ordinary activities (charged at 30%) (2003: 30%)	(5,740,383)	(5,743,923)	(5,811,880)	(5,690,299)

Adjust for tax effect of permanent differences

Exploration expenditure write-down not recognised	36,000	351,163	-	240,299
Amortisation of goodwill arising on acquisition	2,899,812	1,449,906	-	-
Amortisation of intellectual property	1,080,000	1,080,000	-	-
Write-down of investments	365,170	-	4,571,171	2,717,574
Write-down of receivables from controlled entities	-	-	811,759	806,484
Book (gain)/loss on sale of listed shares	-	60,357	-	60,357
Equity accounted losses	118,474	35,732	-	-
Marketing and business development expenses	-	-	-	-
Other non-deductible expenses	2,115	5,083	433	3,885
Income tax benefit arising from current year	(1,238,813)	(2,761,682)	(428,517)	(1,861,700)
Add: benefit of tax losses not brought to account	1,238,813	2,761,682	428,517	1,861,700
Income tax expense attributable to ordinary activities	-	-	-	-

Carry forward tax losses

A future income tax benefit (calculated at 30 percent) of approximately \$4,711,237 (2003: \$3,472,424) for the consolidated entity and approximately \$1,872,023 (2003: \$1,443,506) for the Company.

The recoupment of available tax losses as at 30 June 2004 is contingent upon the following:

- the Company and the consolidated entity deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- the conditions for deductibility imposed by tax legislation continuing to be complied with; and
- there being no changes in tax legislation which would adversely affect the Company and the consolidated entity from realising the benefit from the losses.

As there is no virtual certainty of the Company or the companies, which comprise the consolidated entity deriving future assessable income, no future income tax benefit has been brought to account as at 30 June 2004.

Tax consolidation

As at the date of this Report, Intermoco Limited has not yet decided whether it will be consolidating for tax purposes.

Notes to the Financial Statements Continued

Year ended 30 June 2004	Consolidated		Intermoco Limited	
	2004	2003	2004	2003

Note 5: Outside equity interest

Balance at the beginning of the year	-	(5,425)		
Less: net adjustment made during the year	-	5,425		
Balance at the end of the year	-	-		

Note 6: Cash assets

Cash at bank	41,002	45,799	10,276	40,404
Cash on hand	43	1,185	-	-
Total cash assets (refer Note 27)	41,045	46,984	10,276	40,404

Note 7: Receivables (current)

Trade and other debtors	35,301	448,770	-	168,122
Total current receivables	35,301	448,770	-	168,122

Trade debtors are non-interest bearing and generally on 30 day terms. There are no receivables due from related parties.

Note 8: Inventories (current)

Finished goods, at cost	345,649	448,411	-	-
Finished goods, at net realisable value	17,568	-	-	-
Work-in-progress, at cost	87,835	51,622	-	-
Total inventories at the lower of cost and net realisable value	451,052	500,033	-	-

Note 9: Other financial assets (current)

Bonds and deposits, at cost	1,000	26,000	-	-
Total current other financial assets	1,000	26,000	-	-

Bonds and deposits are non-interest bearing.

Note 10: Other assets (current)

Prepayments	-	13,430	-	8,911
Total current other assets	-	13,430	-	8,911

Note 11: Receivables (non-current)

Unsecured loans to controlled entities (refer Note 36)	-	-	11,092,347	9,413,143
Less: provision for diminution	-	-	(10,983,797)	(8,536,466)
Total non-current receivables	-	-	108,550	876,677

Loans to controlled entities are unsecured and non-interest bearing.

Year ended 30 June 2004	Consolidated		Intermoco Limited	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 12: Investments accounted for using the equity method (non-current)

Carrying amount of investments in associates

Investments in associates, at cost	1,764,335	1,731,250
Less: shares of net losses of associates	(514,018)	(119,105)
Less: write-down of investments	(1,217,232)	-
Net investments accounted for using the equity method	33,085	1,612,145

Share of associates' assets and liabilities

SPK Intermoco Sdn. Bhd.

Current assets	-	10,860
Non-current assets	-	24,444
Current liabilities	-	(97,054)
Net liabilities	-	(61,750)

SPK Engineering Services Sdn. Bhd.

Non-current assets	-	1,377,657
Current liabilities	-	(2,415)
Net assets	-	1,375,242

SMA Intermoco Co. Ltd.

Current assets	33,085	-
Non-current assets	-	-
Current liabilities	-	-
Net assets	33,085	-

Accumulated losses of the consolidated entity attributable to associate

SPK Intermoco

Balance at the beginning of the year	23,600	-
Share of associate's net losses	-	23,600
Balance at the end of the year	23,600	23,600

SPK Engineering

Balance at the beginning of the year	95,505	-
Share of associate's net losses	394,913	95,505
Provision for write-down of investment	1,217,232	-
Balance at the end of the year	1,707,650	95,505

SMA Intermoco Co. Ltd

Balance at the beginning of the year	-	-
Share of associate's net losses	-	-
Balance at the end of the year	-	-

Total

Balance at the beginning of the year	119,105	23,600
Share of associate's net losses	394,913	95,505
Provision for write-down of investment	1,217,232	-
Balance at the end of the year	1,731,250	119,105

Subsequent events affecting the associate's profits/ losses for the ensuing year are disclosed in Note 37.

The consolidated entity's share of the associate's commitments and contingent liabilities are disclosed in Notes 33 and 35 respectively.

Notes to the Financial Statements Continued

Year ended 30 June 2004	Consolidated		Intermoco Limited	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 13: Other financial assets (non-current)

Shares in controlled entities, at cost	-	-	65,655,011	65,655,067
Less: provision for diminution	-	-	(35,402,056)	(20,164,820)
	-	-	30,252,955	45,490,247
Shares in associated entities at cost	-	-	1,764,335	1,731,250
Total non-current other financial assets	-	-	32,017,290	47,221,497

Note 14: Property, plant and equipment

Office equipment, at cost	90,155	78,609	20,952	20,952
Less: accumulated depreciation	(43,513)	(37,677)	(15,024)	(13,684)
Net office equipment	46,642	40,932	5,928	7,268
Motor vehicles, at cost	18,000	18,000	-	-
Less: accumulated depreciation	(11,313)	(9,505)	-	-
Net motor vehicles	6,687	8,495	-	-
Computer hardware, at cost	211,583	210,642	28,433	28,433
Less: accumulated depreciation	(142,678)	(120,201)	(27,203)	(26,461)
Net computer hardware	68,905	90,441	1,230	1,972
Computer software, at cost	77,817	69,395	-	-
Less: accumulated depreciation	(58,509)	(22,253)	-	-
Net computer software	19,308	47,142	-	-
Technical equipment, at cost	191,314	191,314	9,158	9,158
Less: accumulated depreciation	(114,070)	(99,257)	(8,683)	(8,397)
Net technical equipment	77,244	92,057	475	761
Testing equipment, at cost	63,645	40,260	-	-
Less: accumulated depreciation	(30,355)	(16,363)	-	-
Net testing equipment	33,290	23,897	-	-
Leasehold improvements, at cost	203,436	213,788	176,148	9,700
Less: accumulated amortisation	(21,087)	(77,816)	(12,763)	(1,219)
Net leasehold improvements	182,349	135,972	163,385	8,481
Leased assets, at cost	20,065	20,065	-	-
Less: accumulated amortisation	(8,632)	(7,722)	-	-
Net leased assets	11,433	12,343	-	-
Total net property, plant and equipment	445,858	451,279	171,018	18,482

Reconciliation of movements in consolidated property, plant and equipment

Asset category	Opening carrying amount	Additions	Disposals	Depreciation/ amortisation expense	Closing carrying amount
Office equipment	40,932	11,547	-	(5,837)	46,642
Motor vehicles	8,495	-	-	(1,808)	6,687
Computer hardware	90,441	9,363	-	(30,899)	68,905
Computer software	47,142	-	-	(27,834)	19,308
Technical equipment	92,057	-	-	(14,813)	77,244
Testing equipment	23,897	23,385	-	(13,992)	33,290
Leasehold improvements	135,972	166,448	(100,232)	(19,839)	182,349
Leased assets	12,343	-	-	(910)	11,433
Totals	451,279	210,743	(100,232)	(115,932)	445,858

Year ended 30 June 2004	Consolidated		Intermoco Limited	
	2004	2003	2004	2003
	\$	\$	\$	\$
Note 15: Intangible assets				
Intellectual property, at cost	18,000,000	18,000,000	-	-
Less: accumulated amortisation	(12,496,438)	(8,896,438)	-	-
Net intellectual property	5,503,562	9,103,562	-	-
Goodwill arising on acquisition	48,330,204	48,330,204	-	-
Less: accumulated amortisation	(21,609,559)	(11,943,518)	-	-
Net goodwill arising on acquisition	26,720,645	36,386,686	-	-
Total net intangible assets	32,224,207	45,490,248	-	-

The ultimate recoupment of intangible assets is dependent on the successful commercial exploitation or sale of the intellectual property being developed.

Note 16: Deferred exploration and evaluation costs

Exploration and evaluation costs carried forward in respect of mining areas of interest:				
Balance at the beginning of the year brought forward	-	1,050,998	-	800,998
Add: expenditure incurred during the year	-	119,546	-	-
Less: expenditure written down/off	-	(1,170,544)	-	(800,998)
Total balance of deferred expenditure	-	-	-	-

Note 17: Other assets (non-current)

Research and development costs carried forward				
Balance at the beginning of the year	-	245,061	-	-
Less: expenditure written down during the year	-	(245,061)	-	-
Total non-current other assets	-	-	-	-

Note 18: Payables (current)

Trade and other creditors	1,373,645	1,228,443	877,197	1,022,815
Accrued expenses	739,337	513,758	476,684	366,847
Total current payables	2,112,982	1,742,201	1,353,881	1,389,662
Aggregate amounts payable to Director-related entities	529,232	188,030	409,223	188,030

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

Note 19: Interest-bearing liabilities (current)

Unsecured loan from related entity (refer Note 36)	529,233	1,400,000	504,520	1,400,000
Lease liability (refer Note 29)	9,733	3,642	-	-
Total current interest-bearing liabilities	538,966	1,403,642	504,520	1,400,000

Notes to the Financial Statements Continued

Year ended 30 June 2004	Consolidated		Intermoco Limited	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 20: Provisions (current)

Employee benefits (refer Note 31)	92,600	149,193	20,502	37,486
Total current provisions	92,600	149,193	20,502	37,486

Note 21: Other liabilities (current)

Income received in advance	45,015	6,000	-	-
Total current other liabilities	45,015	6,000	-	-

Note 22: Interest-bearing liabilities (non-current)

Lease liability (refer Note 29)	-	8,908	-	-
Total non-current interest-bearing liabilities	-	8,908	-	-

Note 23: Provisions (non-current)

Employee benefits (refer Note 31)	14,181	16,572	427	6,249
Total non-current provisions	14,181	16,572	427	6,249

Note 24: Contributed equity

Issued and paid up capital

Fully paid ordinary shares	104,188,529	99,888,487	104,188,529	99,888,487
Total contributed equity	104,188,529	99,888,487	104,188,529	99,888,487

Movements in shares on issue	2004	2004	2003	2003
	No. of shares	\$	No. of shares	\$
Ordinary shares				
Beginning of the financial year	537,390,371	99,888,487	494,405,371	79,508,037
Add: shares issued during the year				
Shares issued for cash	41,011,550	1,945,000	27,885,000	5,647,875
Shares issued other than for cash				
Operating activities	43,689,786	2,724,367	100,000	6,000
Preference shares converted into ordinary shares	-	-	15,000,000	15,000,000
Less: capital raising expenses	-	(369,325)	-	(273,425)
End of the financial year	622,091,707	104,188,529	537,390,371	99,888,487

Preference shares

Beginning of the financial year	-	-	75,000,000	15,000,000
Less: preference shares converted into ordinary shares	-	-	(75,000,000)	(15,000,000)
End of the financial year	-	-	-	-

Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up 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.

Year ended 30 June 2004	Consolidated		Intermoco Limited	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 25: Accumulated losses

Balance at the beginning of the year	(54,626,114)	(35,474,280)	(54,387,791)	(35,420,128)
Net loss attributable to members of Intermoco Limited	(19,134,611)	(19,151,834)	(19,372,934)	(18,967,663)
Balance at the end of the year	(73,760,725)	(54,626,114)	(73,760,725)	(54,387,791)

Note 26: Options

Options outstanding as at 1 July 2003

Option Holder	No. of Options	Grant Date	Vesting Date	Expiry Date	Weighted Ave Exercise Price
Macquarie	75,000,000	12 August 2002	12 August 2002	30 June 2006	15 cents
Directors	20,000,000	15 November 2002	15 November 2003	30 June 2006	15 cents
Employees	18,210,000	2002/2003	12 Months ⁽ⁱ⁾	13 February 2006	12.5 cents
Total	113,210,000				

⁽ⁱ⁾ See note 31.

Options Granted During the Reporting Period

Private Investors	15,000,000	8 April 2004	8 April 2004	30 June 2005	5 cents
Employees	2,750,000	21 November 2004	21 November 2005	13 February 2006	12.5 cents
Employees	300,000	15 March 2004	15 March 2005	13 February 2006	12.5 cents
Total	18,050,000				

Options Cancelled During the Reporting Period

Directors	4,000,000	31 December 2003	-	31 December 2003	15 cents
Employees	250,000	9 August 2003	-	9 August 2003	12.5 cents
Employees	100,000	8 November 2003	-	8 November 2003	12.5 cents
Employees	250,000	21 November 2003	-	21 November 2003	12.5 cents
Employees	350,000	29 December 2003	-	29 December 2003	12.5 cents
Employees	1,325,000	15 April 2003	-	15 April 2003	12.5 cents
Total	6,275,000				

Summary of outstanding options to 30 June 2004

Macquarie	75,000,000	12 August 2002	12 August 2002	30 June 2006	15 cents
Directors	16,000,000	15 November 2002	15 November 2003	30 June 2006	15 cents
Private Investors	15,000,000	8 April 2004	8 April 2004	30 June 2005	5 cents
Employees	18,985,000	-	12 Months	13 February 2006	12.5 cents
Total	124,985,000				

As at 1 July 2003, a total of 113,210,000 options over ordinary shares in the Company were outstanding. Of these 75,000,000 were held by Macquarie Bank Limited, 20,000,000 held by Directors and the remainder 18,210,000 held by employees of the Company. During the period to 30 June 2004, the Company granted a total of 3,050,000 options over ordinary shares in the Company pursuant to the terms and conditions of the Company's Employee Option Plan (note 31). On 6 February 2004 a total of 4,000,000 options held by Directors of the Company were cancelled. On 8 April 2004, the Company granted 15,000,000 options over ordinary shares pursuant to a placement agreement to raise funds. Each option, which was granted for nil consideration, entitles the holder to acquire one fully paid ordinary share in the Company at a price of \$0.05 per share at any time up to, and including 30 June 2005. During the year ended 30 June 2004, a total of 2,275,000 options, which were held by employees of the Company, were cancelled. As at 30 June 2004, a total of 124,985,000 options over ordinary shares in the Company were outstanding. No shares have been issued during or since the end of the year as a result of exercising of an option over unissued shares in the entity.

Notes to the Financial Statements Continued

Year ended 30 June 2004	Consolidated		Intermoco Limited	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 27: Statement of cash flows

Reconciliation of operating loss

Reconciliation of the operating loss after income tax to net cash flows used in operating activities is as follows:

Operating loss after income tax	(19,134,611)	(19,146,409)	(19,372,934)	(18,967,663)
Adjust for non-cash items				
Depreciation of plant and equipment	95,183	101,000	13,912	2,974
Amortisation of intellectual property	3,600,000	3,600,000	-	-
Amortisation of goodwill	9,666,040	4,833,020	-	-
Amortisation of other assets	20,748	17,870	-	1,075
Exploration and evaluation costs written down/off	-	1,170,544	-	800,998
Research and development costs written down	-	245,061	-	-
Acquisition-related expenses written off	-	4,653,997	-	4,653,997
Share of losses of associated entities	394,913	119,105	-	-
Write-down of investments	1,217,232	-	15,237,291	9,058,579
Write-down of loans to controlled entities	-	-	2,705,856	2,688,279
Shares issued for services rendered	199,761	6,000	199,761	6,000
Profit/(loss) on sale of shares in listed entities	-	65,000	-	65,000
Call option fee received	-	(100,000)	-	(100,000)
Profit on sale of plant and equipment	100,232	(809)	-	(809)
Loan forgiveness to controlled entities	-	-	(258,525)	-
Unrealised foreign exchange loss/(gain)	-	988	-	-
Adjust for changes in assets and liabilities				
(Increase)/decrease in exploration and evaluation costs carried forward	-	(119,546)	-	-
(Increase)/decrease in trade and other debtors	428,469	(347,380)	183,122	(113,197)
(Increase)/decrease in inventories	48,981	(252,153)	-	-
(Increase)/decrease in prepayments	13,430	25,937	8,911	25,092
Increase/(decrease) in trade and other creditors	504,717	268,018	213,897	198,942
Increase/(decrease) in accrued expenses	309,792	349,046	194,050	202,134
(Increase)/decrease in bonds	25,000	-	-	-
Increase/(decrease) in income in advance	39,015	-	-	-
Increase/(decrease) in unsecured loans from related entities	62,020	-	62,020	-
Increase/(decrease) in provisions	(58,984)	66,673	(22,806)	11,683
Net cash flows used in operating activities	(2,468,062)	(4,444,038)	(835,445)	(1,466,916)
Reconciliation of cash				
Cash at bank	41,002	45,799	10,276	40,404
Cash on hand	43	1,185	-	-
Total cash	41,045	46,984	10,276	40,404

Year ended 30 June 2004	Consolidated		Intermoco Limited	
	2004	2003	2004	2003
	\$	\$	\$	\$

Non-cash financing activities

- On 26 September 2003, the Company issued to PT Arthagading Kencana Sdn Bdn, a total of 12,500,000 fully paid ordinary shares to settle an unsecured loan. The value of these shares was \$1,000,000.
- On 21 November 2003, the Company issued, pursuant to employment contracts, a total of 200,000 fully paid ordinary shares. The value of these shares was \$11,200.
- On 28 November 2003, the Company issued to Newpage Pty Ltd, a total of 17,410,714 fully paid ordinary shares to settle an unsecured loan. The value of these shares was \$975,000.
- On 5 December 2003, the Company issued to Topell Pty Ltd, by way of payment for fit out of new premises, rent and car parks, a total of 4,242,857 fully paid ordinary shares. The value of these shares was \$270,000.
- On 15 March 2004, the Company issued Westpac Banking Corporation, by way of payment of outstanding invoices, a total of 2,403,675 fully paid ordinary shares. The value of these shares was \$134,605.
- On 15 March 2004, the Company issued, pursuant to a Consultancy Agreement, a total of 500,000 fully paid ordinary shares. The value of these shares was \$28,000.
- On 5 April 2004, the Company issued, by way of an Implementation Fee to Cornell Capital, a total of 2,717,391 fully paid ordinary shares. The value of these shares was \$125,000.
- On 6 April 2004, the Company issued, pursuant to a Consultancy Agreement, a total of 500,000 fully paid ordinary shares. The value of these shares was \$28,560.
- On 17 May 2004, the Company issued, by way of an Activation Fee to Cornell Capital, a total of 3,205,128 fully paid ordinary shares. The value of these shares was \$125,000.

Note 28: Auditor's remuneration

Amounts received, or due and receivable,
by the auditor of Intermoco Limited in respect of:

• auditing the financial statements	54,000	51,000	54,000	51,000
• other services	17,197	25,975	17,197	25,975
• services relating to acquisition	-	141,001	-	141,002
	71,197	217,977	71,197	217,977

Note 29: Expenditure commitments

Finance leases

Not later than one year	9,733	4,667	-	-
Later than one year but not later than five years	-	9,344	-	-
Later than five years	-	-	-	-
Total minimum lease payments	9,733	14,011	-	-
Future finance charges	-	(1,461)	-	-
Total lease liability	9,733	12,550	-	-
Current liability (refer Note 19)	9,733	3,642	-	-
Non-current liability (refer Note 22)	-	8,908	-	-
Total lease liability	9,733	12,550	-	-

Exploration commitments

As at 30 June 2004, the Company retained an interest in certain exploration tenements in South Australia which are covered by the Commonwealth Hill joint venture. As at that date, there were no outstanding commitments in respect of these tenements.

During the year, the Company, via its controlled entity Mexex Gold Corporation S.A. de C.V. ("Mexex"), relinquished various exploration tenements it held in northern Mexico. As at 30 June 2004, Mexex had an obligation to pay certain rentals in respect of those tenements. The estimated amount of this obligation is approximately \$240,000. This amount has been included in the statement of financial position as an accrued expense as at balance date (refer Note 18).

	Consolidated		Intermoco Limited	
	2004	2003	2004	2003
Year ended 30 June 2004	\$	\$	\$	\$

Note 30: Joint venture

As at 30 June 2004, the Company held a 39.22 percent direct equity interest in the Commonwealth Hill exploration joint venture in South Australia. This interest was acquired by the Company (then Gawler Gold and Mineral Exploration NL) prior to the acquisition of its current monitoring and control business. The Project is currently dormant and the Company is evaluating options for the potential disposal of its interest in the joint venture.

Apart from its share of the Commonwealth Hill exploration tenements, the Company has no interest in any other joint venture assets or liabilities. Movements in capitalised exploration and evaluation costs carried forward and expenditure written down/off in respect of this joint venture has been included in Note 16.

Note 31: Employee benefits

Employment benefit liability

The aggregate employment benefit liability is comprised of:

Provision for annual leave	92,600	149,193	20,502	37,486
Provision for long service leave	14,181	16,572	427	6,249
Accrued pay-as-you-go tax	173,092	86,226	20,779	43,916
Accrued payroll tax	10,618	12,505	3,506	11,062
Accrued superannuation	50,878	42,384	16,054	17,618
Total employment benefit liability	341,369	306,880	61,268	116,331

Employee option plan

On 13 February 2002, the Company established an Employee Option Plan (the "Plan") under which full-time employees of the Company are issued with options over the ordinary shares of Intermoco Limited as a means of attracting and retaining high quality employees, minimising the level of cash outflows associated with their employment and to provide additional incentive. The options, which are granted for nil consideration, are issued subject to the Plan and, once issued, cannot be transferred by the employee, nor are they listed on the Australian Stock Exchange. No options can be exercised until such time as the employee has completed twelve months continuous employment with the Company. As at 30 June 2004, a total of 24 full-time employees held a total of 17,235,000 such options. Each option, entitles the holder to acquire one fully paid ordinary share in the Company at a price of \$0.125 per share at any time up to, and including, 13 February 2006.

Refer Note 26 for further details.

Fair value of options

The amounts disclosed in the report for remuneration relating to options are the assessed fair values of options that have been calculated in accordance with AASB 1046: Directors and Executive Disclosures by Disclosing Entities.

Currently, these fair values are not recognised as expenses in the financial statements.

Employee share issues

During the year, 3 employees were issued a total of 1,210,021 fully paid ordinary shares as part of their remuneration package (refer note 36).

Fair value shares

The value of shares issued under equity based compensation arrangements is recognised as an employee benefit expense.

Superannuation

The Company contributes to a number of contribution funds at a rate of 9 percent in accordance with legislative requirements.

Year ended 30 June 2004	Consolidated		Intermoco Limited	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 32: Earnings per share

The following reflects the income and share data used in the calculations of basic and diluted loss per share.

Net loss	(19,134,611)	(19,146,409)
Less: net adjustment to outside equity interest	-	(5,425)
Earnings used in calculating basic loss per share	(19,134,611)	(19,151,834)
Basic loss per ordinary share (cents per share)	(3.3)	(3.7)
Diluted loss per ordinary share (cents per share)	(3.3)	(3.7)
Weighted average number of shares on issue	578,102,988	512,396,522

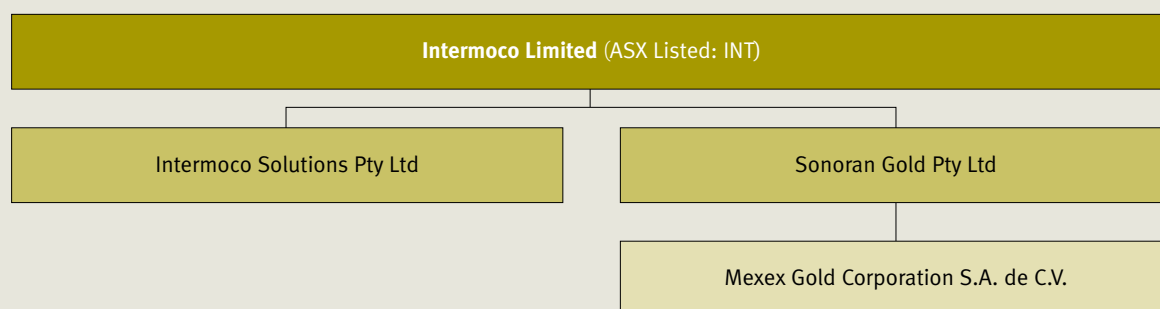
In respect of the years ended 30 June 2003 and 2004, the basic loss per share equated to the diluted loss per share. Outstanding options are not considered to be dilutive due to the material differences between the exercise prices of the options and the prevailing share prices at the respective balance dates.

Note 33: Interests in subsidiaries and associated entities

Group structure and results

Intermoco Limited is a company listed by shares domiciled and incorporated in Australia.

As at 30 June 2004, the Intermoco Group structure may be depicted as follows:



Name of Controlled/ Associated Entities	Date of Incorporation	Date of Deregistration	Place of Incorporation	Reporting Date	Group interest 2004 (%)
Chief entity					
Intermoco Limited	10 September 1987		Australia	30 June 2004	N/A
Controlled entities					
Intermoco Solutions Pty. Ltd.	18 August 2000		Australia	30 June 2004	100%
Synrutilite Limited	14 April 1999	20 March 2004	Australia	30 June 2004	100%
Mineral Technologies NL	11 July 1997	20 March 2004	Australia	30 June 2004	100%
Intermoco (NZ) Limited	24 March 2003	9 June 2004	New Zealand	30 June 2004	100%
Sonoran Gold Pty. Ltd.	4 July 1997		Australia	30 June 2004	99%
Mexex Gold Corporation SA de CV	31 March 1998		Mexico	30 June 2004	99%
Associated entities					
SPK Intermoco Sdn. Bhd.	28 February 2002		Malaysia	31 December 2003	49%
SPK Engineering Services Sdn. Bhd.	8 March 2000		Malaysia	31 December 2003	49%
SMA Intermoco Co. Ltd.	16 October 2003		Thailand	31 December 2003	49%

Note 33: Interests in subsidiaries and associated entities continued

Associated Entities

On 15 March 2002, the Company entered into a Shareholders Agreement with a Malaysian-based technology company Diligent Network Sdn. Bhd., a member of the significant Sharikat Permodalan Kebangsaan Berhad ("SPK") group. Pursuant to this Agreement, a joint venture company, Senior Portfolio Sdn. Bhd., was established to market and distribute the Intermoco range of products in Malaysia and the surrounding region. The Company acquired a 49 percent direct equity interest in Senior Portfolio Sdn. Bhd. Subsequent to the acquisition, Senior Portfolio Sdn. Bhd. changed its name to SPK Intermoco Sdn. Bhd.

On 30 September 2002, the Company entered into a second Shareholders Agreement with Diligent Network Sdn. Bhd. Pursuant to this Agreement, a second joint venture company, SPK Engineering Services Sdn. Bhd., was established to acquire an interest in an incorporated joint venture, SPK Healthline Sdn. Bhd., which provides integrated healthcare applications, including management information and preventative healthcare systems. On 29 January 2003, the company acquired a 49 percent direct equity interest in SPK Engineering Services Sdn. Bhd. SPK Healthline Sdn Bhd is currently seeking additional working capital from private investors to finalise the development of the healthcare applications. Due to the lack of current working capital and the uncertain nature of the business, Intermoco Limited has decided to provide for the impairment in value of the investment.

On 1 December 2003, the Company entered into a Joint Venture Agreement with a Thailand based company, SMA International Co, Ltd. to form a joint venture company, SMA Intermoco Co. Ltd. The joint venture company was established to supply Intermoco products to customers in Thailand and the surrounding region. The Company acquired a 49 percent direct equity interest in SMA Intermoco Co. Ltd.

Note 34: Segment information

Industry segment

Following the acquisition of Intermoco Solutions Pty. Ltd. (then known as Australon Enterprises Australia Pty. Ltd.) by the Company in January 2001, the consolidated entity changed its principal activity from that of mineral exploration and evaluation to that of technology development and commercialisation. Subsequent to that change in activities, the consolidated entity has operated predominantly in the monitoring and control industry, with particular focus on products and solutions for the utilities' industries.

Geographic segments

The consolidated entity operates predominantly in Australia. As at balance date, the Company held a 49 percent equity interests in two Malaysian and one Thailand incorporated joint ventures. However, during the year ended 30 June 2004, only minor operations were carried out by these three companies. Refer Note 33 for further details.

Note 35: Contingent liabilities

At the date of this Report there were no contingent liabilities.

Note 36: Director and executive disclosures

a Details of specified directors and specified executives during the financial year are:

i Specified Directors

Graeme William Shearer	Chairman (non-executive)
Martin Yong Heng Yii	Managing Director
Saiful Aznir Shahabudin	Director (non-executive)
Ir. Dr Azman bin Ahmad	Director (non-executive)
Dato' Amanullah Mohamed Yusooif	Director (non-executive) resigned 4 June 2004
Allen Christopher George Roberts	Director resigned 30 September 2003

ii Specified Executives

Stephen Black	Chief Operating Officer
Jeff Bennett	Company Secretary, Chief Financial Officer
John Howell	General Manager, Operations & Engineering
Vince D'Agostino	Manager, Strategy & Business Development
Thomas Howitt	Company Secretary, Chief Financial Officer (employment ceased 7 May 04)
Michael Stephens	General Manager, Sales (employment ceased 28 May 04)

Note 36: Director and executive disclosures Continued**b Details of specified director's disclosures**

		Primary		Post Employment		Equity	Other	Total
		Salary, Fees & Commissions	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
		\$	\$	\$	\$	\$	\$	\$
G. Shearer	2004	25,000	-	-	2,250	15,123	54,000	96,373
	2003	25,000	-	-	2,250	64,877	114,199	206,326
M. Yii	2004	205,000	-	-	18,450	15,123	2,793	241,366
	2003	130,000	-	-	11,700	64,877	73,124	279,701
S. Shahabudin	2004	25,000	-	-	-	15,123	-	40,123
	2003	15,625	-	-	-	64,877	-	80,502
A. Ahmad	2004	1,775	-	-	-	-	-	1,775
	2003	-	-	-	-	-	-	-
A. Yusooif	2004	23,225	-	-	-	14,049	-	37,274
	2003	15,625	-	-	-	64,877	-	80,502
A. Roberts	2004	6,250	-	-	562	-	13,973	20,785
	2003	25,000	-	-	2,250	-	161,699	188,948
R.Branson (resigned 15-11-02)	2004	-	-	-	-	-	-	-
	2003	9,375	-	-	844	-	-	10,219
Total Remuneration for Directors								
	2004	286,250	-	-	21,262	59,418	70,766	437,696
	2003	220,625	-	-	17,044	259,508	349,022	846,199

There were no payments made to Directors or Executives that were related to the performance of the Company.

c Details of specified executive's disclosures

S. Black	2004	53,667	-	-	4,830	-	65,561	124,058
	2003	-	-	-	-	-	-	-
J.Bennett [#]	2004	16,666	-	-	1,500	-	-	18,166
J. Howell	2004	100,917	-	-	9,908	16,329	3,334	130,488
	2003	79,300	-	-	7,137	23,671	22,290	132,398
V. D'Agostino	2004	92,409	-	-	10,833	-	23,680	126,922
	2003	100,810	-	-	10,833	-	21,965	133,608
T. Howitt [^]	2004	112,000	-	-	10,114	-	8,018	130,132
	2003	120,000	-	-	11,880	-	7,252	139,132
M. Stephens [*]	2004	122,211	-	-	14,564	-	33,115	169,890
	2003	132,093	-	-	16,000	-	25,840	173,933
Total Remuneration for Executives								
	2004	497,870	-	-	51,749	16,329	133,708	699,656
	2003	525,661	-	-	52,859	23,671	79,608	681,799

[#] Jeffrey Bennett's employment commenced on 3 May 2004

[^] Thomas Howitt's employment ceased on 7 May 2004

^{*} Michael Stephens' employment ceased on 28 May 2004

Note 36: Director and executive disclosures Continued

d Option holdings of specified directors and specified executives

	Balance at Beginning of period 1 July 03	Granted as remune- ration	Options Exercised	Net Change Other #	Balance at end of period 30 June 04	Vested at 30 June 2004		
						Total	Not Exercisable	Exercisable
Specified Directors								
G. Shearer	4,000,000	-	-	-	4,000,000	4,000,000	-	4,000,000
M. Yii	4,000,000	-	-	-	4,000,000	4,000,000	-	4,000,000
S. Shahabudin	4,000,000	-	-	-	4,000,000	4,000,000	-	4,000,000
A. Ahmad	-	-	-	-	-	-	-	-
A. Yusoofo ⁽ⁱ⁾	4,000,000	-	-	-	4,000,000	4,000,000	(4,000,000)	-
A. Roberts	4,000,000	-	-	(4,000,000)	-	-	-	-
Specified Executives								
S. Black	-	-	-	-	-	-	-	-
J. Bennett	-	-	-	-	-	-	-	-
J. Howell	2,000,000	-	-	-	2,000,000	2,000,000	-	2,000,000
V. D'Agostino	1,500,000	-	-	-	1,500,000	1,500,000	-	1,500,000
T. Howitt	3,000,000	-	-	-	3,000,000	3,000,000	-	3,000,000
M. Stephens	3,250,000	-	-	-	3,250,000	3,250,000	-	3,250,000
Total	29,750,000	-	-	(4,000,000)	25,600,000	25,600,000	(4,000,000)	21,750,000

⁽ⁱ⁾ Note: The options held by A. Yusoofo were cancelled on 9 September 2004.

e Shareholdings of specified directors and specified executives

	Balance	Granted as	On Exercise	Net Change	Balance at
	1 July 2003	Remuneration	of Options	Other	30 June 2004
	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares
Specified Directors					
G. Shearer	46,462,003	-	-	(2,337,713)	44,124,290
M. Yii	76,937,915	-	-	17,410,714	94,348,629
S. Shahabudin	-	-	-	-	-
A. Ahmad	-	-	-	-	-
A. Yusoofo	-	-	-	-	-
A. Roberts	-	-	-	-	-
Specified Executives					
S. Black	-	1,010,021	-	-	1,010,021
J. Bennett	-	-	-	-	-
J. Howell	-	-	-	-	-
V. D'Agostino	-	-	-	-	-
T. Howitt	-	-	-	-	-
M. Stephens	-	100,000	-	(100,000)	-
Total	123,399,918	1,110,021	-	14,973,001	139,482,940

Note: As at the date of this Report, Messrs. Shearer and Yii are each Directors of Australon Enterprises Pty. Ltd., which holds 204,877,422 ordinary shares in the Company (representing approximately 31.75 percent of the total number of ordinary shares on issue). As at the same date, Mr. Shahabudin and Mr. Dr Azman bin Ahmad are related to Austral System Sdn. Bhd., which holds 98,386,669 ordinary shares in the Company (representing approximately 15.25 percent of the total number of ordinary shares on issue).

Note 36: Director and executive disclosures Continued**Transactions with Director-related entities**

Related entity	Relationship	Nature of transaction	Amounts paid	
			2004 (\$)	2003 (\$)
Keswick Pty. Ltd.	Associate of A. Roberts	Consulting services	13,973	160,000
Springwell Australia Pty. Ltd.	Associate of G. Shearer	Consulting services	54,000	112,500
Newpage Pty Ltd	Associate of M. Yii	Consulting Services	-	-

All amounts paid to Director-related entities were charged on commercial and arm's-length terms and conditions.

During the year ended 30 June 2004, Newpage Pty. Ltd., MLW Technology Pty. Ltd. and Monash Professional Group Pty. Ltd., all companies associated with Mr. M. Yii, advanced a total of \$1,017,500 to the Company by way of unsecured loans. The funds advanced were used to meet the Company's working capital commitments. Interest is payable on the loans at a commercial interest rate of 7.0 percent per annum. A portion of the outstanding loans were repaid via the issue of shares in the company and as at 30 June 2004, the amount outstanding was \$529,233 including accrued interest of \$62,020. The loans are repayable on 30 June 2005, or such other date as may be agreed to by the parties.

Transactions within the wholly-owned group

As at 30 June 2004, an amount of \$11,092,347 (2003: \$9,413,143) was receivable by Intermoco Limited from its various controlled entities (refer Note 11). The loans are unsecured, interest free and there are no fixed terms of repayment.

Equity instruments of Directors**Interests at balance date**

Interests in the equity instruments of the Company and related entities held by Directors of the Company and entities related to them, as at 30 June 2004, being the number of instruments held:

Movements in Directors' equity holdings

During the period from 1 July 2003 up to, and including, the date of this Report, there were the following movements in Director's equity holdings:

- On 26 September 2003, Springwell Australia Pty. Ltd. (a company associated with Mr G. Shearer) acquired a further 2,000,000 ordinary shares at a price of \$0.075 per share.
- During the period Springwell Australia Pty. Ltd. (a company associated with Mr. G. Shearer), disposed of a net indirect interest in a total of 2,337,713 ordinary shares in the Company via a decrease of the shareholding in the Company held by Australon Enterprises Pty. Ltd (a company associated with Mr G. Shearer and Mr M. Yii).
- During the period Newpage Pty Ltd (a company associated with Mr. M. Yii), disposed of a net indirect interest in a total of 2,625,394 ordinary shares in the Company via a decrease of the shareholding in the Company held by Australon Enterprises Pty. Ltd (a company associated with Mr G. Shearer and Mr M. Yii).
- During the abovementioned period, Ingestre Pty. Ltd. (a company associated with Mr. A. Roberts), disposed of a total of 700,000 ordinary shares in the Company.
- During the abovementioned period, PT Arthagading Kencana Sdn. Bhd. was issued a total of 12,500,000 ordinary shares. This was in consideration of their subscription for \$1,000,000 payable to Newpage Pty Ltd (a company associated with Mr M. Yii).
- During the abovementioned period, Newpage Pty Ltd (a company associated with Mr M. Yii) was issued a total of 17,410,714 ordinary shares. This was in consideration for funds previously advanced to the Company.

Apart from the above, there have been no other transactions concerning equity instruments during the financial year with Directors or their Director-related entities. All equity dealings with Directors have been entered into on terms and conditions no more favourable than those which the entity would have adopted if dealing at arm's-length.

Directors' benefits - other

No other benefits have been received, or are receivable, by Directors of the Company, other than those already disclosed elsewhere in these Notes to the Financial Statements.

Ultimate parent

As at the date of this Report, no shareholder controls more than 50 percent of the issued capital of the Company.

Note 37: Subsequent events

- On 5 July 2004, the Company issued, by way of private placement, a total of 4,838,710 fully paid ordinary shares at an issue price of 3.1 cents each to raise a total of \$150,000 in cash, prior to the payment of expenses associated with the placement.
- On 2 August 2004, the Company issued, by way of private placement, a total of 18,300,000 fully paid ordinary shares at an issue price of 3.1 cents each to raise a total of \$567,300 in cash, prior to the payment of expenses associated with the placement.
- On 10 August 2004, the Company announced to the Market that a total of 2,650,000 options that had previously been granted to former employees of the Company pursuant to its Employee Option Plan had lapsed.
- On 9 September 2004, the Company announced to the Market that a total of 2,500,000 options that had previously been granted to a former employee of the Company pursuant to its Employee Option Plan had lapsed. Also 4,000,000 Director's options, each with an exercise price of 15.0 cents and an expiry date of 30 June 2006 were cancelled (no financial effect).
- On 21 September 2004, the Company held a meeting of its shareholders. The resolution to approve the issue of securities since 21 November 2003 was carried: 259 183,006 For and 1,700,501 Against.
- On 24 September 2004, the Company received funds as part of a private placement. The particulars of this placement as at this date, have yet to be finalised and will be announced to the market on completion.

Apart from these events, there were no other significant events which have occurred after balance date.

Note 38: Financial instruments

Interest rate risk

The consolidated entity has an exposure to interest rate risk at balance date by virtue of its lease commitments (refer Note 29). The lease, which commenced in February 2001, has a term of 48 months and an effective interest rate of 9.4 percent per annum.

The consolidated entity has an exposure to interest rate risk at balance date by virtue of its related party borrowings (refer Note 19). These borrowings are unsecured and have a fixed interest rate of 7 percent per annum.

The weighted average effective interest rate applicable to the Company's cash deposits during the year ended 30 June 2004 was approximately 4.0 percent per annum.

Credit risk exposure

The consolidated entity's maximum exposure to credit risk as at balance date, in relation to each class of financial assets, is the carrying amount of those assets as indicated in the Statement of Financial Position.

Net fair values

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

	Notes	Carrying amount		Aggregate net fair value	
		2004 (\$)	2003 (\$)	2004 (\$)	2003 (\$)
Financial assets					
Cash	6	41,045	46,984	41,045	46,984
Trade and other debtors	7	35,301	448,770	35,301	448,770
Bonds and deposits	9	1,000	26,000	1,000	26,000
Investments	12	33,085	1,612,145	33,085	1,612,145
Total financial assets		110,431	2,133,899	110,431	2,133,899
Financial liabilities					
Trade and other creditors	18	1,373,645	1,228,443	1,373,645	1,228,443
Accrued expenses	18	739,337	513,758	739,337	513,758
Unsecured loan	19	529,233	1,400,000	529,233	1,400,000
Income received in advance	21	45,015	6,000	45,015	6,000
Finance leases	19/22	9,733	12,550	9,733	12,550
Total financial liabilities		2,696,963	3,160,751	2,696,963	3,160,751

Assumptions

For all financial assets and liabilities, the carrying amount as shown in the Notes to the Financial Statements, approximates the fair value due to their short-term maturity.

Note 39: Impact of adopting Australian equivalents to IFRS Standards

Intermoco Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents to International Financial Reporting Standards (IFRS). The company has allocated internal resources and conducted impact assessments to isolate key areas that will be impacted by the transition to IFRS. Intermoco has established a process whereby solutions have been developed and will shortly be implemented. The Audit Committee is also a key participant in this process, overseeing progress and addressing any issues that may arise. As Intermoco has a 30 June year-end, priority has been given to considering the preparation of an opening balance sheet in accordance with IFRS. This will form the basis of accounting for IFRS in the future, and is required when Intermoco prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are key areas where accounting policies will change and may have an impact on the financial report of Intermoco. At this time the company has not yet been able to reliably quantify the impacts of changes to the financial report as a result of the adoption of IFRS.

Impairment of Assets

Under AASB 136 Impairment of Assets the recoverable amount of an asset is determined as the higher of fair value less costs to sell and value in use. This will result in a change in the company's accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. This will result in increased volatility of results of the Company.

Goodwill

Under the Australian equivalent to IFRS 3 Business Combinations goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy which amortises goodwill over its useful life but not exceeding 6 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. This will result increased volatility of results of the Company.

Share Based Payments

Under AASB 2 Share Based Payments, the company will be required to recognise an expense in net profit for the fair value of share rights and any options issued to employees as remuneration. It applies to all share rights issued after 7 November 2002 that have not vested as at 1 January 2005. Upon initial adoption of Australian equivalents to IFRS standards retained profits will decrease. Subsequent to initial adoption expenses will increase.

Classification of Financial Instruments

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables- measured at amortised cost, held to maturity - measured at amortised cost, held for trading - measured at fair value with fair value changes charged to net profit or loss, available for sale - measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost.

This will result in a change in the current accounting policy that does not classify financial instruments. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Income Taxes

Under AASB 112 Income Taxes, the company will be required to use a balance sheet liability method which focuses on the tax-effects of the transactions and other events that affect amounts recognized in either the Statement of Financial Position or a tax-based balance sheet. It is not expected that there will be any material impact as a result of adoption of this standard.

Director's Declaration

In accordance with a resolution of the Directors of Intermoco Limited I state that,

1 In the opinion of the Directors:

a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

- i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2004 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 In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 33 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



Graeme W. Shearer

Chairman

Melbourne, 30 September 2004





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Independent audit report to members of Intermoco Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Intermoco Limited (the company) and the consolidated entity, for the year ended 30 June 2004.

The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*.

This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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

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

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

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

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

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

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



Qualification

As a result of the acquisition of Intermoco Solutions Pty Ltd (formerly Australon Enterprises Australia Pty Ltd), intangible assets representing intellectual property of \$18,000,000 and goodwill of \$48,330,204 were recognised. The valuation of the intellectual property is based on an independent valuation. The valuation takes into account the estimated future value of cash flows from the sale of products utilising the intellectual property. As at 30 June 2004, the written down values of the intellectual property and goodwill were \$5,503,562 and \$26,720,645 respectively.

The ability of Intermoco Limited to recover the carrying amounts of the intellectual property and goodwill is dependent on the generation of sufficient future cash flows from the sale of products utilising the intellectual property. We have been unable to obtain sufficient reliable audit evidence to support the expected future profits and other cash flows associated with the intellectual property and goodwill, and therefore we are unable to conclude whether these assets are carried at amounts above their recoverable amounts in accordance with AASB 1010 "Recoverable Amount of Non-Current Assets".

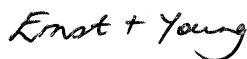
Qualified Audit opinion

In our opinion, except for the effects on the financial report of such adjustments, if any, as might have been determined to be necessary had the limitation of scope referred to in the qualification paragraphs not existed, the financial report of Intermoco Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Intermoco Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Going Concern

Without further qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters disclosed in Note 1 to the financial statements, there is significant uncertainty whether Intermoco Limited and the consolidated entity will be able to continue as going concerns and, therefore, whether they will be able to pay their debts as and when they become due and payable, and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.


Ernst & Young


R C Piltz
Partner
Melbourne
30 September 2004

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 14 September 2004.

Substantial Shareholders

As at 14 September 2004, the Company's Registers of Substantial Shareholders disclosed three substantial shareholders. The names of the substantial shareholders are Advanced Communications Technologies (Australia) Pty Ltd (Administrator appointed) and Newpage Pty. Ltd., each through their respective shareholdings in Australon Enterprises Pty. Ltd., and Austral System Sdn. Bhd.

Shareholder Distribution

As at 14 September 2004, the issued share capital of the Company comprised 645,230,417 fully paid ordinary shares. Further, a total of 115,835,000 options over shares in the Company were outstanding (refer Note 26 of the accompanying financial statements for details). As at that date, the Company's Register of Shareholders disclosed a total of 2,275 shareholders. The number of shareholders, by size of holding, in each class of share are:

	Ordinary Shares		Preference Shares	
	No. of holders	No. of shares	No. of holders	No. of shares
1 - 1,000	33	17,026	-	-
1,001 - 5,000	141	516,614	-	-
5,001 - 10,000	548	5,182,852	-	-
10,001 - 100,000	1,124	48,227,379	-	-
100,001 - and over	429	591,286,546	-	-
Total	2,275	645,230,417	-	-

The number of shareholders holding less than a "marketable parcel" of shares as at 14 September 2004 (being 13,889 shares) was 793. These shareholders held a total of 6,571,522 fully paid ordinary shares in the Company as at that date, representing approximately 1.02 percent of the total issued ordinary share capital of the Company as at that date.

Quotation Of Securities

The Company's fully paid ordinary shares are included on the Official List of the Australian Stock Exchange Limited (code: INT). None of the 115,835,000 outstanding options over ordinary shares in the Company are quoted on ASX.

Voting Rights

Subject to the rights or restrictions attached to any shares, on a show of hands every shareholder present at a general meeting in person or by proxy or attorney or by his or her duly appointed representative shall have one vote. Refer Note 24 for further details.

Tax Status

The Company is taxed as a public company.



Twenty Largest Ordinary Shareholders

(as at 14 September 2004)	Listed ordinary shares	
	No. of shares	% of ordinary shares
1 Australon Enterprises Pty Ltd	204,877,422	31.76
2 Austral System SDN BHD	98,386,669	15.25
3 Newpage Pty Ltd	30,788,751	4.77
4 PT Sarana Teknindo Mutakhir	20,000,000	3.10
5 Asia Info Tech Pte Ltd	14,000,000	2.17
6 PT Arthagading Kencana	12,500,000	1.94
7 ANZ Nominees Ltd	11,675,936	1.81
8 Danie Carey & Brian Hancock	10,000,000	1.55
9 Idameneo No. 62 Pty Ltd	9,595,161	1.49
10 Frank Rotar & Lindo Rotar	9,107,143	1.41
11 Lindo Rotar	5,193,201	0.80
12 PT Duta Astakona Girinda	4,900,000	0.76
13 Hawthorn Grove Investments Pty Ltd	3,477,419	0.54
14 Advance Publicity Pty Ltd	2,800,000	0.43
15 Frank Antonio Rotar	2,583,407	0.40
16 Eng Sum Looi & Siew Luan Looi	2,033,478	0.32
17 Springwell Australia Pty Ltd	2,000,000	0.31
18 Alexander James Tetley	1,869,049	0.29
19 Hiles Pty Ltd	1,830,138	0.28
20 Karakoram No. 2 Pty Ltd	1,768,706	0.27
Totals	449,386,480	69.64



Quality
Endorsed
Company





