



INTERMOCO LIMITED

A.C.N. 006 908 701

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2006**

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

Once again the Company has made steady gains across a number of key areas, without achieving the break through in sales that we continue to work steadily towards. We remain clearly focused on achieving our overall goal of becoming a leading global developer and marketer of remote monitoring technology solutions specialising in remote meter reading systems and technology solutions.

Whilst the markets for our technology solutions are characterised by prolonged lead times in terms of the rate of take up of new technologies, a number of key events have occurred during the year, which will significantly impact, in a positive sense, on the Australian domestic market place over the coming year.

Following an extensive study, The Victorian Government's Department of Infrastructure has regulated to implement an accelerated roll out of interval metering with advanced communications across Victoria. This will have a very positive impact on the marketing opportunities for Intermoco's **Utiligy®** technology. It is expected that NSW and other States will follow Victoria's lead as these Governments search for initiatives to more effectively utilise and manage scarce energy resources. Intermoco is well positioned to play a very active role in the trials and subsequent contracts, which will follow this initiative in the latter half of 2006-07.

Changes to Victorian regulations have further reinforced the attractiveness of reselling electricity by shopping centres, retirement homes, bodies corporate and owners of other commercial building sites. Intermoco's technology is integral to the on-selling function and is becoming the technology of choice in this market segment.

I would like to highlight some of our important achievements for the year.

Both longstanding and new shareholders have been extremely supportive in assisting the Company raise a further \$1.179 million through the issuance of shares during the year. This support is greatly appreciated and provided an important source of funds in meeting the funding shortfall prior to the Company becoming cash positive. We have a total of 2,475 shareholders.

In March 2006, shareholders gave approval for the Company to proceed with a \$39 million capital raising, through a combined equity placement and convertible note issue. International banking regulatory issues caused the completion of this funding to be delayed, causing the Company to seek a voluntary trading suspension pending its finalisation. At the time of this report, the Board is optimistic the funding finalisation will occur prior to the Annual General Meeting.

The results of the Company's development program have been particularly pleasing. Once again we invested almost \$1 million in research and development through the course of the year. A refinement of the overall product set together with the addition of several key components were achieved. A comprehensive redevelopment of the Back Office software was completed together with extensive expansion of the billing capability. Our technology can now interface with all smart meters on the market in Australia. Also achieved was the completion of a new 32 channel AMI solution specifically developed for the water industry.

Revenue of \$1.508 million included \$393,268 received from the Australian Taxation Office for a research and development grant. This represents an increase in revenue of 96% over last year's figures. Whilst we did not achieve our first major break-through contract during the year, we are encouraged by the immediate opportunities in the market place and we remain highly optimistic of reaching a cash positive position during the coming year.

Our technology was chosen by a major Australian metropolitan water utility for trials in various configurations. The Company expects to make major inroads in this segment of the market as the scarcity of water as a valuable natural resource becomes more generally accepted and the price rises.

We have vigorously pursued the Australian domestic market, which is changing rapidly as a result of State Governments' regulatory changes. We have also maintained a focus on offshore markets in the Asia Pacific region and have continued to work closely with our joint venture partners in Malaysia and Thailand on the significant opportunities in that region. We remain optimistic that during this coming year we will realise our goal of winning one or more major contracts in the region.

Through our subsidiary, Vircom Pty Ltd, an established Australian integrated software and services company, sales of "On-Trac" Telecommunications Bill Analysis products and Energy Management services have shown strong growth.

We have maintained a stable, experienced senior management team, which is highly regarded in the domestic and international market place. I would like to sincerely thank the senior management team for its significant contribution throughout the year.

The markets for remote monitoring technology solutions continue to broaden and expand. We will retain our focus on our overall goal through targeted product development and expansion of our marketing base. We are in a very strong position to achieve significant sales growth during the coming year.

I would like to thank all Intermoco staff for their contribution over the past year, and look forward to their ongoing commitment to our Company's success. I also thank my fellow directors for their diligence and guidance throughout the year and shareholders for their continued support.

Graeme W Shearer
Chairman

“We are in a very strong position to achieve significant sales growth during the coming year.”

Management Review

During the 2006 financial year, the Company achieved significant progress in the area of product development and commercialisation. Our most significant achievements have been in the areas of software development of the Meter Management System and B2B market interface, product development to encompass new functionality, expansion of our sales and marketing capacity and success in sales of AMI. Intermoco has also developed OnTrac® - a comprehensive web-based analysis and reporting management service for the utility and commercial industry.

The financial results for the period showed an improvement in performance over past years. Revenue of \$1,508,053, was just short of our expectations for the year. The Company is currently focused on increasing sales in both the secondary or sub metering market and the utility market. Trials with new clients have led to increasing penetration in the sub metering market and this activity is expected to contribute substantially to revenues over the coming year.

In the utility market, sales penetration has also increased significantly. The Company has now established a strong market presence in Western Australia and Melbourne. Growth in this market segment is expected to be substantial in future years as the introduction of new regulations requiring the introduction of interval metering and AMI deployment are introduced. In Victoria the major deployment of interval metering and AMI will commence in 2008. The New South Wales utilities have also indicated that they will introduce similar technology in a voluntary deployment over a similar time frame. Whilst we continue to penetrate the market, the rate of growth is dependent on the pace of regulatory change.

The consolidated loss for the year was \$6.4 million compared to the loss last year of \$17.5 million. Of the \$6.4 million, non-cash items as a result of the amortisation of intellectual property resulted in a write down amounting to \$1.9 million. The net operating cash outflow from normal activities was \$2.7 million compared with \$3.2 million for the previous year. This equates to an improvement of 15.6% for the current year.

Sales were made to a number of important domestic customers including Student Housing Australia, Colonial First State Property Management and Roxby Downs City Council as well as utilities CitiPower and Western Power. Further sales were achieved in the retirement villages, residential developments, high-rise apartments and student accommodation market segments.

Proposals for further projects in the domestic embedded network market, with a combined value of \$15 million have been developed.

Intermoco, through its joint venture partners SPK Intermoco in Malaysia and Intermoco Thailand, continues to be active in pursuing significant opportunities in the South East Asian Region. Intermoco has entered the tender process with major Malaysian companies for the deployment of its technology.

The development of the *Utiligy* Multi Vendor AMI solution suite has progressed markedly over the last 12 months with a refinement of the product set as a whole in addition to several new key components. Most notable has been the redevelopment of the Back Office software suite including the Meter Data Server and its associated user portals. This entire platform has been migrated to a Sun Solaris 10/Oracle 10g platform ensuring an enterprise platform capable of scaling to the large-scale requirements of the Victorian distribution utilities. In addition, this platform has been extended to provide NEMMCO B2B and Validation functionality allowing for a seamless integration into the Utility space.

The billing capability of the *Utiligy* product suite too has been revamped with the integration of Prophecy International's Basis 2 billing and customer information system. This addition brings a functionally rich billing engine suitable for both regulated and deregulated markets into the mix.

Further development has continued in the meter interface arena with Intermoco expanding its capability to interface with the new smart meters generally available in the Australian market. These developments continue to enhance Intermoco's Multi-Vendor capabilities in the AMI space.

The Company has developed further its sales and marketing capability both by strengthening its internal sales and marketing capacity as well as expanding its distribution channels. Reseller agreements have been established and maintained in Queensland, Western Australia, South Australia, Victoria and NSW.

In 2005 Victoria's regulatory body announced a roll out program for the installation of interval meters across Victoria and subsequent Government announcements have confirmed that AMI solutions will be deployed at the same time. The rollout is to commence in 2008. The Company has been particularly active in working with the Regulatory Bodies and major Utilities to position Intermoco to take advantage of the significant

commercial opportunities which will open up for AMI as part of this rollout. It is expected that the rollout will enable significantly increased sales penetration for Intermoco's *Utiligy* solution through the new demand generated in this market sector.

The electricity utilities market for AMI in NSW and Victoria is growing. The regulatory bodies in these states are finalising the competitive arrangements for AMI. With the change in the regulatory environment in NSW and Victoria, Intermoco has established significant installations or trials with four major utilities in these states.

Our concern for the health and safety of our staff is paramount and to this end we have maintained an active Occupational Health and Safety Committee. The Committee meets regularly, diligently monitors the workplace and takes appropriate actions in a timely manner.

We are very much looking forward to the coming year during which we believe that the significant advances the company has made will realise tremendous opportunities and value to the shareholders.

We would like to thank all Intermoco staff for their commitment and contribution over the past year.

Martin Yii
Managing Director

Steve Black
Chief Operating Officer

Jeff Bennett
Chief Financial Officer

Highlights

- Revenue of **\$1.508 million**, including ATO research and development grant of **\$393,268**, was up **96%** on last year
- More than **\$15 million** in project quotations under consideration by both current and potential customers
- Over **8,100** points currently monitored using the Intermoco's Utiligy AMI technology, up 70% on last year
- **2,475** shareholders now invest in Intermoco.
- Approximately **\$1,153,000** of new capital raised during the year to fund projects and development
- **Major Shopping Centre** installations at Port Phillip, Corio and Broadmeadows
- **New major projects** in the expanding Retirement Villages and Student Accommodation markets
- In excess of **40 new projects** awarded during the year with key customers including:
 - Student Housing Australia
 - Colonial First State Property Management
 - Western Power
 - CitiPower
 - Taigum Retirement Village, Qld
 - Roxby Downs City Council
 - YMCA Student Accommodation
- Technology development providing capability to interface with all smart meters on the Australian market and integration with Prophecy's billing and customer information system

The AMI Opportunity

Intermoco has positioned itself over the last five years to take advantage of the rapid change that is occurring in the energy and water markets both in Australia and throughout the world.

Historically, energy and water have been regarded, as commodities to be consumed at the cheapest cost possible. This perspective is changing rapidly driven by a number of factors that include:

- The rising cost of oil.
- Concerns about the impact of green house gases on the environment.
- The rising cost of providing electricity distribution infrastructure to support the growing summer peak demands primarily driven by the domestic use of reverse cycle air conditioners.
- Prolonged drought conditions within Australia and other countries that have severely depleted potable water reserves.
- A disconnect between the cost of production of energy, which varies dramatically as demand changes, and the fixed price that is enjoyed by domestic energy consumers.

In a response to this changing environment, governments as utility owners or by way of legislation and regulation are directing the investment in infrastructure so that the supply and consumption of water and energy resources can be more efficiently managed.

In Australia the electricity industry is managed in a co-operative manner at a national level via 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.

It has been decided at a policy level over a number of years that Smart Meters will be deployed by various state bodies commencing in Victoria in 2004. In 2005, the Victorian Government decided that to fully deliver the benefits of the smart meter rollout these meters needed a 2-way communications capability.

The Victorian Government is in the process of directing the Distribution Utilities under their management to deploy interval meter with a 2-way communications capability to all electricity consumers over a 4 year period commencing in 2008.

In February 2006, the Council of Australian Governments endorsed the proposal to deploy smart meters and recognised the lead roll that Victoria was taking. It is expected that all states in the Commonwealth of Australia will direct the deployment of Advanced Metering Infrastructure by the electricity distribution utilities over the next 12 to 18 months with deployment over the next 4 to 6 years.

Technology trials are currently scheduled to occur in SA, NSW, Victoria, WA and Queensland this financial year. Intermoco is actively involved in major trials with several of the Utility companies.

Various water industry initiatives are beginning to emerge in most states with the NSW Government commencing the process of trialling the deployment of water metering infrastructure in multi-dwelling units.

Australian Governments are regarded within the metering community as amongst the world leaders in the development of initiatives that will promote the deployment of advanced metering infrastructure.

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 underutilised generating capacity to meet electricity peak consumption. Smart meters, innovative tariff structures and responsive customer consumption feedback loops supported by AMI are essential elements of a successful demand management strategy by Governments and regulators.

Intermoco as a world leader in the development of AMI is well positioned to capitalize on this rapidly emerging market opportunity.

Case Study

Case 1: Roxby Downs City Council, South Australia.



Outback Town innovator in the management of Utility Services

Customer Overview

Roxby Downs is a small mining town, population approximately 4,500, located amongst the rich, red sand dunes of the desert, 550 kilometres north of Adelaide. Providing accommodation for the employees of BHP's Olympic Dam mine, the town is set in a harsh environment of intense heat and dust, which challenges the most capable and robust of electrical equipment.

Roxby Downs Council (RDC) came to Intermoco with a unique issue that they were looking to resolve. The Council wanted to collect both electricity and water data remotely for billing purposes and energy management. These utilities are very important in such a remote location. Olympic Dam provides both electricity and water to the town as Roxby Downs is not part of the National Electricity Market. The Council is responsible for the provision of these key services including the collection of data and billing. As part of a plan to conserve these scarce resources and better manage the cost of delivery, the Council has decided to implement on-selling and demand management activities across the entire town, over a 5 year time frame.

The Council has been using Intermoco products for a number of years and thereby knew that the Intermoco electricity solution was already up to the task due to its hardy design, robust builds and ip65 rated enclosures. The challenge was to come up with a cost effective solution that would stand up to the environment and perform successfully without any annual maintenance. A further challenge was reading the water meters which are located at the boundary of the properties, without easy access to a power source.

Solution Overview

Intermoco's engineers developed a solution to meet RDC's unique requirements. Intermoco designed an inexpensive Radio Frequency (RF) solution that piggy-backs on Intermoco's electricity data collection infrastructure. The RF solution consists of a battery-powered transceiver that is sealed in a protective case. The transceiver monitors a pulse output to the water or gas meter and a receiver that is integrated into our Meter Interface Unit (MIU), which also connects to the electricity meter.

Intermoco has successfully project managed, developed, installed and tested the system for stage 1 of the trial, which consists of 20 houses reading both electricity and water meters. The initial trial results have been encouraging with the ongoing trial to proceed over a 3-4 month timeframe. The remote location and harsh environment at Roxby Downs is providing a good test of the durability of the Intermoco's solution.

The Roxby Downs installation has power line communications to each individual residence. The meter interface units transmit meter data to strategically placed data concentrators located in transformer substations throughout the town. Data is then transmitted every six hours over the Telstra's GPRS network to Intermoco's data centre located in Melbourne. Data is then made available to RDC via a secure, customised website for billing and network management purposes.

Summary Overview

The Roxby Downs trial is the first trial of its kind in Australia by a council. On completion of the project, the Intermoco *Utiligy* system will provide RDC with the ability to successfully manage the towns 4,500 residents' electricity and water consumption in real time.

Intermoco Solution

- First combined utility data collection solution of it's kind in Australia
- Intermoco supplied a fully managed solution
- Single phase electrical meters and pulse water meters remotely read
- Combination of power line, radio frequency and wireless communications
- Integrated online billing system
- Provides energy management capabilities

Benefits

The Town

- Cost effective collection of consumption data
- Capital Improvement of town infrastructure and property value
- Energy and demand management capability
- Integrated online billing system
- Total package support

The Residents

- Reduced Utilities cost
- Energy and demand management capability for residents
- No estimated bills "only actual consumption data"
- Online billing

Case Study

Student Housing Australia - 9 Residential Student Apartment Buildings



Student Housing Management Group move forward with innovative new revenue stream!

Customer Overview

Student Housing Australia (SHA) currently has 9 multi-level student residential housing sites and is looking at increasing their portfolio. Intermoco has successfully installed systems in 4 of these sites and SHA has decided to implement on-selling activities across the remaining sites over a 12 month period. The Intermoco system has been chosen to supply a fully managed solution that includes:

- AMI System for remote reading of energy consumption
- Sales and marketing campaigns to inform tenants on the benefits of buying their power from SHA.
- Project Management

The SHA developments currently using Intermoco's *Utiligy* system are located in Melbourne's inner and outer suburbs. The program is currently being expanded to include sites located in NSW and Canberra.

The average size of each of the developments is between 30 and 120 meters, all of which are co-located. Each development is multi-level with some having retail tenants. All are metered by a combination of single and three phase meters read remotely using the Intermoco *Utiligy* system.

Solution Overview

The Intermoco *Utiligy* system is providing SHA with the ability to purchase energy from a single retailer on behalf of the tenants and on-sell to them, at discounted rates. Intermoco is providing the hardware for completed installations together with project management and consultation on the formation of the embedded networks.

The solution manages all meter reading, data collection and billing functions. This includes issuing of customer account summaries for SHA Property Management. It has totally automated all of the functions while delivering cheaper electricity to the facility and to the tenants.

All SHA installations use power line communications for transmission of data over existing cabling within the buildings to a series of data concentrators located within meter cupboards on different floors.

Data is then transmitted over the Telstra GPRS wireless network to Intermoco's data centre where it is made available to the customer (SHA Property Management) via a secure, customised website for billing, energy and network management.

Summary Overview

Student Housing Australia's AMI rollout is the first mass rollout of its kind in Australia by a Residential Property Management Company. The Intermoco AMI solution is a highly effective solution that is assisting SHA to on-sell utility services to their tenants.

Intermoco Solution

- Intermoco supplied fully managed solution
- Currently over 350 meters (single & three phase) read remotely
- Combination of power line and wireless communications
- Integrated online billing system
- Allows on-selling of Utilities
- Provides energy management capabilities

Benefits

The Centre Owner

- Incremental revenue stream
- Capital improvement property value
- Reduced cost in common area utilities
- Immediate energy connection
- Energy and demand management capability for SHA
- Integrated online billing system
- Allows on-selling of Utilities
- Increased site security
- Total package support

The Tenants

- Reduced Utilities cost
- Energy and demand management capability for Tenancy
- No estimated bills “only actual consumption data”
- Increased site security
- Monthly billing
- Online billing

Marketing Opportunities

The markets Intermoco is pursuing with its product and services are differentiated by customer application as well as geographically.

Market segmentation by customer

Utility Distribution companies: The energy distribution companies manage the supply of power to their customers. These organisations have the primary accountability for the meter services, which is the first stage in the billing of customers for the consumption of electricity.

In Australia they are responsible for the supply of power to approximately 7.7 million customers with an estimated 10 million meters. In Europe the number of customers is in excess of 200 million. There is a drive for all these meters to be converted to remotely read interval meters. Victoria is one of the lead markets in the deployment of AMI.

Energy management: Major corporations within Australia and other Western economies are being required to proactively report and manage the consumption of energy resources. These corporations are also being given targets by governments to proactively reduce their energy consumption. The first stage of any program to reduce energy consumption is the accurate measurement and reporting of that consumption. Intermoco has developed On-Trac™ to assist corporations collect, analyse and report the consumption of electricity gas and water services.

Small-scale Energy Resale: The on-selling of electricity by the owners of commercial properties to their customers/tenants. These customers include shopping centres, student accommodation providers, retirement villages and body corporate entities. Legislation in Australia and Thailand enables persons owning, occupying or operating premises such as landlords and bodies corporate to purchase electricity in bulk and on-sell it to tenants located within the premises

Geographic Segmentation

Australia

All Australian states are target markets for the entire suite of Intermoco products. For all the key customer segments identified above, Intermoco has proactive sales and marketing campaigns to offer our suite of products and services. It is expected that the key growth in the coming year will come from the support of customers in the energy management and small-scale energy resale. The continuing long term marketing of the Intermoco suite of advanced metering products and services to utilities in all states is expected to show major progress through the securing of trial deployments which are a precursor to mass deployments in subsequent years.

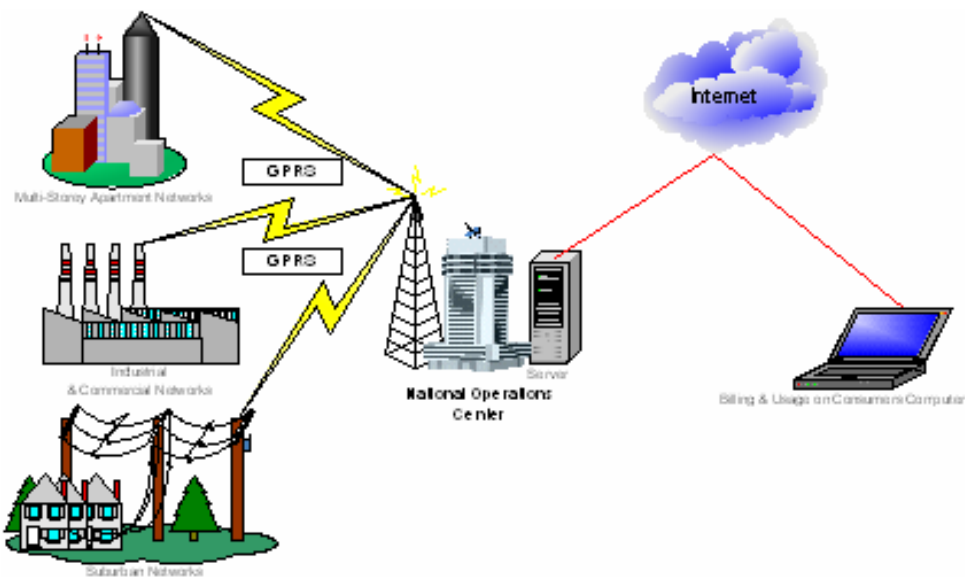
South East Asia

Primary target markets for the AMI *Utiligy* product and other monitoring and control solutions are **Malaysia, Thailand and Singapore**. Potential opportunities to market *Utiligy* and other products in the **Philippines** and **Indonesia** will be pursued once the business has been consolidated in the primary markets.

Other International

Opportunities in UK and US will be pursued once consolidation of the business has occurred in the primary markets.

AMI Technology Options



A number of AMI technology options are available which include:

- Direct GPRS/GSM Connection
- Mesh Radio
- Medium Voltage Power Line Communications
- Low Voltage Power Line Communications.

Wireless Networks (GPRS or CDMA)

With this technology, the communications to and from the meters relies on existing public networks. GPRS networks for urban areas and CDMA networks for rural areas where GPRS is not available. With this system, there are no intermediate data concentrators or transceivers. The Metering Data Agent (MDA) would communicate directly with each meter. This type of remote meter reading solution is currently used on types 1 to 4 meters in the NEM, and has been working effectively for several years. The GPRS or CDMA modem is integrated into the meter so as to have just one combined unit to install at customers premises.

Mesh Radio

Mesh radio is a radio-based technology for reading meters, which uses meters as repeaters in a mesh configuration. The meter concentrator receives and transmits signals to meters, which in turn pass these signals on to other meters. The layout of the mesh is such that meters may be able to communicate with several meter collectors, so that if the path to one is not operational then paths to other meter collectors can be used. Meter collectors can interact with about 1,000 meters in a mesh. Meter collectors can communicate with a network management system using a range of technologies; a usual approach is to use a carrier's GPRS network to communicate with meter collectors. Mesh radio achieves data communication rates that are similar to the communication rates achieved with DLC.

Power Line Carrier (PLC)

Power Line Carrier (PLC) communications can maintain a signal across distribution transformers. PLC has been used by electricity utilities for many years, particularly for protection signalling on transmission lines. PLC signals are sent over the Medium Voltage (MV) and Low Voltage (LV) networks to meters from zone substations, and the signals are also received back from meters at zone substations. PLC data communication rates are slow. Outbound to meters is in the order of 2 to 4 bits/sec. Inbound from meters to zone substations, the data rate is in the order of 30 to 300 bits/sec, depending on the number of meters communicating in parallel. PLC can be less expensive than other systems when customer density is low.

Distribution Line Carrier (DLC)

Distribution Line Carrier (DLC) systems use the Low Voltage (LV) distribution network as the communications medium between meters and data concentrators located at distribution transformers. This technology has relatively low end-point costs, but requires many more concentrators than the other options. DLC typically achieves data communication rates between data concentrators and meters of between 5kb/sec and 30kb/sec.

The cost effectiveness of each of these technologies is dependent upon the electricity distribution companies' infrastructure.

The key issues that impact on the cost of AMI deployment is:

- The number of consumers that are supplied from a single Low Voltage distribution transformer
- The number of customers in low density suburban housing
- The number of customers in medium and high density housing
- The number customers in rural and remote housing

Analysis conducted in Australia indicates that the DLC is the most cost effective way of providing AMI to 80% of consumers. The balance can be supported by a combination of PLC or direct GPRS communications.

The distribution infrastructure in Europe and Asia is similar to that found in Australia and it is expected that DLC with either direct GPRS or PLC for the more remote locations will be the most cost effective solution in these markets as well. The Intermoco *Utiligy* AMI solution has focused on the development of both DLC and direct GPRS for the remote reading of electricity meters.

INTERMOCO LIMITED
ABN: 006 908 707

The directors of Intermoco Limited (the "Company") present the annual financial report for the financial year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report is as follows:

Directors

The names of directors in office at any time during or since the end of the year are:

Graeme W. Shearer
Martin Y.H. Yii
Saiful A. Shahabudin - resigned 8 August 2006
Ir. Dr Azman bin Ahmad - resigned 8 August 2006
Stephen F. Black

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

Jeffrey Bennett

The Company

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

The consolidated entity employed 46 employees at 30 June 2006 (2005: 34 employees)

Refer Note 15 for details pertaining to the Group's structure.

Principal Activities

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 hardware and software development applications of Automated Meter Reading for the gas, water and electricity industries.

There were no significant changes in the nature of the economic entity's principal activities during the financial year.

Operating Results

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

	2006	2005
	\$	\$
Net loss from ordinary activities before income tax expense	(6,429,543)	(17,474,648)
Income tax expense relating to ordinary activities	-	-
Net loss from ordinary activities	(6,429,543)	(17,474,648)

Dividends Paid or Recommended

During the year ended 30 June 2006, 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.

Financial Position

Receipts from the Company's sales for the year were \$1,508,053 up from \$768,214 in 2004/2005. This represents an increase of 96.3% year on year. The directors believe this positive trend will continue in 2006/2007 from increased sales in the following segments:

1. Sales to Utilities within Australia
2. Sales to Utilities overseas
3. Sales to Embedded Networks (high rise developments, retirement villages, shopping centres and student accommodation, etc.)
4. NEMA sales from integrated customer management services that supports Intermoco's AMR systems

Whilst the company has not yet reached a cash break even position the Directors anticipate that sales generated from the sectors above will enable the Company to achieve positive net cash flows prior to the end of the 2007 financial year.

In view of the Company's cashflow requirements, a General Meeting was held on 3 March 2006, to receive shareholder approval to proceed with a \$20 million equity placement and a Convertible Note issue with a face value of \$19 million to Newpage Pty Ltd ("Newpage"). As at the date of this report, Intermoco has progressively received funds from Newpage to fund operational requirements. However, the Company has not as yet received all of the funds and has not as yet issued any shares under the equity placement or convertible note to Newpage. The Board has sought confirmation from Newpage of the reasons for the delay in providing the balance of the funds and additionally the timing for settlement in the future. Newpage has advised the Board of it's commitment to provide the balance of the funds as soon as possible.

The directors believe the group is in a position to continue on a going concern basis in view of the above.

Significant Changes in State of Affairs

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

- (i) An increase in contributed equity of \$1,153,250 through the issue of 31,281,429 shares at an average price of 3.7 cents.
- (ii) An increase in contributed equity of \$820,000 through the issue of 19,383,907 shares at an average price of 4.2 cents, in consideration of the acquisitions of National Energy Management Agency Pty Ltd and Vircom Pty Ltd.
- (iii) An increase in contributed equity of \$240,626 through the issue of 6,025,049 shares at an average price of 4.0 cents, in consideration of contractual and creditor obligations.

Changes in controlled entities and divisions:

- (i) Purchase of 100% of Vircom Pty Ltd, for \$500,000
- (ii) Purchase of 100% of National Energy Management Agency Pty Ltd, for \$320,000.

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to this report.

After Balance Date Events

(i) On the 7th of July 2006, the Company requested a voluntary suspension of its securities on the Australian Stock Exchange. This request was granted by the Australian Stock Exchange on the 10th of July 2006.

(ii) On the 9th of August 2006, the Company provided notice that Non-Executive Directors Saiful A. Shahabudin and Ir. Dr Azman bin Ahmad had resigned from their positions on the board of Intermoco Limited.

Otherwise there have been no other significant events after balance date.

Future Developments, Prospects and Business Strategies

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 in the opinion of the Directors that their disclosure could be prejudicial to the interests of the consolidated entity.

Environmental Regulation and Performance

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

Information on Directors

Graeme W. Shearer

- Chairman
- B.Comm, BEd.
- Mr Shearer was a founding Director of Intermoco Limited. He has extensive experience in general business management. Prior to joining the company, he held senior positions with Telstra Corporation, following which he established his own management consultancy
- Options: 4,000,000 ; Shares: 39,038,751
- Chairman of the Audit Committee, Member of the Remuneration Committee.
- Nil

Martin Y.H. Yii

- Managing Director
- BEng (Elec) (Hons)
- Mr Yii has spent a number of years managing a variety of engineering companies and has substantial experience in Asia.
- Options: 4,000,000 ; Shares: 85,838,945
- Chairman of the Remuneration Committee.
- Nil

Saiful A. Shahabudin - resigned 9/8/06

- Non-Executive Director
- B.BA, MBA, MICPA
- 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 Systems Sdn. Bhd., a substantial shareholder of the Company. He is also trustee of M.U.S.T Ehasen 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 Anderson Worldwide and was in charge of Arthur Anderson's Corporate Finance and Enterprise Group Services in Kuala Lumpur.
- Options: 4,000,000
- Member of the Audit Committee
- Nil

Ir.Dr Azman bin Ahmad - resigned

- Non-Executive Director
- LLB (Hons)
- Ir. Dr. Azman bin Ahmad has over 20 years 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 on the board of Sharikat Kebangsaan Berhad as well as other private companies.
- Options: 4,000,000
- Member of the Audit Committee
- Nil

Stephen F. Black

- Chief Operating Officer
- B.Comm, C.P.A.
- Mr Black has held senior executive roles including Managing Director, United Energy Telecommunications, Director Strategy, AAPT, Group General Manager, Customer Affairs, Telstra and Director of Gaming, Victorian Government and Deputy Director- General in the Department of Housing and Construction and the Department of Finance, Victorian
- Options: 4,000,000
- Member of the Audit Committee
- Nil

Jeffrey Bennett

- Company Secretary, Chief Financial Officer
- B.Comm, C.P.A.
- Mr Bennett has been the Company Secretary for the past 2 years. He also holds the position of Chief Financial Officer. Mr Bennett is an experienced CPA with extensive commercial and financial experience. He held senior management positions at both Corporate and Business Group levels for some of Australia's leading companies including BHP and Shell Oil. Prior to joining the company he held a position of CFO for Simoco Pacific
- Options: 4,000,000; Shares : 5,282,865
- Nil
- Nil

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Intermoco Limited and subsidiaries, and for the executives receiving the highest remuneration.

Remuneration policy

The remuneration policy of Intermoco Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of Intermoco Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The remuneration committee reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest caliber of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the bi-nomial pricing model.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the Director's and Executive's option plan.

Performance based remuneration

As part of each executive director and executives remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with directors/executives. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over. The KPIs target areas the board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

In determining whether or not a KPI has been achieved, Intermoco Limited bases the assessment on audited figures.

During the year ended 30 June 2006, no performance based payments were made to directors or executives.

Details of remuneration for year ended 30 June 2006

The remuneration for each director and each of the four executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Post employment benefits		Share based payments				Total
	Short term benefits	Superannuation Contribution	Cash bonus	Non-cash Benefits	Shares	Options	
	Salary, Fees and Commissions						
	\$	\$	\$	\$	\$	\$	\$
Directors							
Graeme W. Shearer	90,550	2,250	-	-	-	21,754	114,554
Martin Y.H. Yii	205,000	18,450	-	-	-	21,754	245,204
Saiful A. Shahabudin	25,000	-	-	-	-	21,754	46,754
Ir. Dr Azman bin Ahmad	25,000	-	-	-	-	21,754	46,754
Stephen F. Black	92,000	8,280	-	-	45,000	23,033	168,313
	437,550	28,980	-	-	45,000	110,049	621,579
Executives							
Nigel Maitland	120,000	10,800	-	-	30,000	13,340	174,140
Jeffrey Bennett	100,000	9,000	-	-	14,000	23,345	146,345
John Howell	110,092	9,908	-	-	-	10,005	130,005
Peter Taylor	78,000	7,020	-	-	25,000	10,005	120,025
	408,092	36,728	-	-	69,000	56,695	570,515

Options issued as part of remuneration for the year ended 30 June 2006

Options over ordinary shares are issued by Intermoco Limited to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to all directors and executives of Intermoco Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

	Granted No.	Options Granted as Part of Remuneration %	Remuneration Represented by Options \$	Options Exercised \$	Options Lapsed (\$)	Total
Directors						
Graeme W. Shearer	4,000,000	19%	21,754	-	-	21,754
Martin Y.H. Yii	4,000,000	8.9%	21,754	-	-	21,754
Saiful A. Shahabudin	4,000,000	47%	21,754	-	-	21,754
Ir. Dr Azman bin Ahmad	4,000,000	47%	21,754	-	-	21,754
Stephen F. Black	4,000,000	13.7%	23,033	-	(5,300)	17,733
	20,000,000		110,049	-	(5,300)	104,749
Executives						
Nigel Maitland	2,500,000	7.7%	13,340	-	-	13,340
Jeffrey Bennett	3,500,000	16.0%	23,345	-	(4,300)	19,045
John Howell	1,500,000	7.7%	10,005	-	-	10,005
Peter Taylor	1,500,000	8.3%	10,005	-	-	10,005
	9,000,000		56,695	-	(4,300)	52,395

Meetings of Directors

During the financial year, 21 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors'		Committee Meetings			
	Number eligible to attend	Number attended	Audit		Remuneration	
			Number eligible to attend	Number attended	Number eligible to attend	Number attended
Graeme W. Shearer	13	13	4	4	4	4
Martin Y.H. Yii	13	13			4	4
Saiful A. Shahabudin	13	3	4	2		
Ir. Dr Azman bin Ahmad	13	1	4	-		
Stephen F. Black	7	7	4	4	4	4

Indemnification and Insurance of Directors

During the year ended 30 June 2006, the Company did not provide the Directors of the Company with any form of indemnification or insurance.

Options

At the date of this report, the unissued ordinary shares of Intermoco Limited under option are as follows

Grant Date	Date of expiry	Exercise price	Number under option
9 Mar 2006	9 Mar 2010	6.4 cents	21,300,000
28 Mar 2006	28 Mar 2010	6.4 cents	22,770,000
			<u>44,070,000</u>

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year

Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

No fees were paid/payable to the external auditors, PKF Chartered accountants during the year ended for non-audit services.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2006 has been received and can be found in the directors' report.



Director

Graeme W. Shearer

Dated this 29th day of September 2006

Corporate Governance Statement

The Intermoco Board is responsible for putting in place a corporate governance framework, which ensures the enhancement and protection of shareholder value. In undertaking this responsibility, implementation of rigorous accountability and control processes are required.

Intermoco has a strong commitment to effective corporate governance and endorses the Australian Stock Exchange Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations published in March 2003. The company is currently complying with all aspects of the Principles of Good Corporate Governance and Best Practice Recommendations with the exception of Board structure, as the Board does not currently have a majority of independent Directors.

The Company's website, www.intermoco.com contains an Investor Section which details the Company's Corporate Governance policies and procedures. This provides public access to all the information relevant to the company meeting its governance obligations.

The Board Lays Solid Foundations for Management and Oversight

The Board of Directors is responsible for setting the strategic direction of the Company and for overseeing and monitoring its business affairs. Directors are accountable to the shareholders for the Company's performance. The major responsibilities of the Board include:

- setting overall financial and business goals for the Company;
- adopting a strategic plan to achieve the Company's goals;
- approving annual financial plans and budgets;
- monitoring business performance and results;
- approving management recommendations on strategic issues including major capital expenditure, acquisitions, restructuring and funding;
- ensuring systems are in place which facilitates the effective monitoring and management of principal risks to which the company is exposed;
- ensuring processes are in place for the effective communication with shareholders and other stakeholders, and
- reporting to shareholders on the Company's performance.

The Board Charter included in the Corporate Governance section on the company website details the principles and procedures, which guide the Board's operations.

Board Structure

The names and details of Directors in office at the date of this Annual Report are included in the Director's Report Section of this Annual 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 judgment. The composition of the Board is guided by the following principles:

- the Board should be comprised of a minimum of three and a maximum of ten directors;
- the Board should have a broad range of expertise;
- the Chairman should be independent;
- a person cannot hold the positions of Chairman and Managing Director; and
- a majority of the Board will be comprised of independent Directors.

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

At present the composition of the current Board does not conform to the Principles of Good Governance, however it is intended that a restructure will be implemented over time with the goal of achieving independent Director majority.

The Board Promotes Ethical and Responsible Decision-Making

The Board has a formal Code of Ethics and Code of Conduct, which apply to all Intermoco employees, directors and contractors. In addition the Board has introduced a Conflict of Interest Policy as well as a Policy on Securities Trading by Directors and Employees. Copies of these policies and directives are available on the Company website within the Corporate Governance Section.

The Board Safeguards the Integrity of Financial Reporting

The COO and CFO provided the Board with an unqualified statement 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 in place an Audit, Risk and Compliance Committee of which its responsibilities include reviewing the auditor's independence and management's response to the auditor's findings and recommendations. The overall responsibility of the Committee is to assist the Board meet its responsibility to exercise due care, diligence and skill in relation to:

- financial reporting;
- application of accounting policies;
- financial management;
- internal control;
- external audit;

The Board has in place a Continuous Disclosure Policy, which has been implemented across the Company. A copy of the Policy is available on the Corporate Governance section of the Company website.

The Board Respects the Rights of Shareholders

The Board has in place a Shareholder Communications Policy, which promotes effective communication with shareholders. A copy of the Policy is available on the Corporate Governance sections of the Company website.

The Board Recognises and Manages Risk

The Board is responsible for ensuring that the management's objectives and activities are aligned with expectations and risks identified by the Board.

The Board Audit, Risk and Compliance Committee is responsible for reporting to the Board on matters including:

- internal processes for identifying and managing key risk areas;
- the Company's risk management system and risk profile;
- suspected and actual frauds, thefts and breaches of law;
- effectiveness of the internal control system with management and external auditors, and
- effectiveness of and compliance with the code of ethical conduct.

The members of the Audit, Risk and Compliance Committee during the year were Mr. Shearer (Chairman), Mr. Shahabudin, Mr. Black and Ir. Dr. Ahmad

The Board Encourages Enhanced Performance

The Board is responsible for reviewing the overall performance of the Board, Board Committees and individual Directors. The criteria and procedure for reviewing Board performance is detailed in the Intermoco Board and Directors Performance Evaluation statement within the Corporate Governance section of the Company website.

The Board Remunerates Fairly and Responsibly

The Board has in place a Remuneration Committee which makes recommendations to the Board on matters of remuneration policy and its implementation. It has authority to approve arrangements for senior management with the exclusion of the Managing Director.

The primary purpose of the Committee is to support and advise the Board in meeting its obligations to the shareholders by:

- determining executive remuneration policy;
- reviewing remuneration of Directors;
- determining the remuneration of Executive Directors;
- reviewing and approving the remuneration of direct reports to the Managing Director and other senior Executives, and
- reviewing and approving employee equity participation schemes.

The members of the Remuneration Committee during the year were Mr. Yii (Chairman) and Mr. Shearer. Remuneration details for the reporting year for Directors and Executives are included in the Director's Report.

Recognition of the Legitimate Interests of Stakeholders

The Board has a formal Code of Conduct and Ethics which is available on the Corporate Governance section of the Company website.

The Directors
Intermoco Limited
85 Buckhurst Street
SOUTH MELBOURNE VIC 3205

Dear Sirs

As lead engagement partner for the audit of Intermoco Limited for the year ended 30 June 2006 I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



R A Dean
Partner
PKF
Chartered Accountants

29 September 2006
Melbourne

INTERMOCO LIMITED
ABN: 006 908 707
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Intermoco Ltd	
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenue	3	1,508,053	768,214	394,012	8,600
Cost of sales		(241,437)	(549,436)	-	-
Raw materials and consumables used		(2,721)	(11,860)	-	-
Employee benefits expense		(3,305,976)	(2,210,654)	(668,730)	(488,461)
Depreciation and amortisation expense		(2,007,413)	(3,703,872)	(18,436)	(20,061)
Impairment of goodwill		-	(9,984,390)	-	-
Finance costs		-	(32,533)	-	(19,067)
Impairment of loans to controlled entities		-	-	(2,506,044)	(2,256,010)
Impairment of investments		-	(33,085)	(2,585,949)	(20,186,750)
Provision - non recovery of bond		-	(50,229)	-	(50,229)
Other expenses		(2,380,049)	(1,666,803)	(1,285,051)	(1,031,945)
Loss before income tax	4	(6,429,543)	(17,474,648)	(6,670,198)	(24,043,923)
Income tax expense	5	-	-	-	-
Loss attributable to members of the parent entity	2	(6,429,543)	(17,474,648)	(6,670,198)	(24,043,923)
Overall Operations					
Basic earnings per share (cents per share)	9	(0.82)	(2.49)		
Diluted earnings per share (cents per share)	9	(0.82)	(2.49)		

The accompanying notes form part of these financial statements.

INTERMOCO LIMITED
ABN: 006 908 707
BALANCE SHEET
AS AT 30 JUNE 2006

	Note	Consolidated		Intermoco Ltd	
		2006	2005	2006	2005
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash assets	10	65,929	271,100	1,073	181,942
Receivables	11	161,322	156,355	-	-
Inventories	12	338,837	288,419	-	-
Other current assets	18	-	25,001	-	23,501
TOTAL CURRENT ASSETS		566,088	740,875	1,073	205,443
NON-CURRENT ASSETS					
Receivables	11	-	-	-	317,490
Financial assets	14	-	-	10,064,591	11,830,540
Plant and equipment	16	381,917	383,651	134,991	150,957
Intangible assets	17	10,448,296	11,829,887	-	-
TOTAL NON-CURRENT ASSETS		10,830,213	12,213,538	10,199,582	12,298,987
TOTAL ASSETS		11,396,301	12,954,413	10,200,655	12,504,430
CURRENT LIABILITIES					
Payables	19	2,710,786	1,932,516	1,691,692	1,229,621
Financial liabilities	20	1,435,960	-	1,396,960	-
Current tax liabilities		-	-	-	-
Provisions	21	163,080	-	45,436	30,268
TOTAL CURRENT LIABILITIES		4,309,826	1,932,516	3,134,088	1,259,889
NON-CURRENT LIABILITIES					
Provisions	21	23,552	19,493	3,644	1,483
TOTAL NON-CURRENT LIABILITIES		23,552	19,493	3,644	1,483
TOTAL LIABILITIES		4,333,378	1,952,009	3,137,732	1,261,372
NET ASSETS		7,062,923	11,002,404	7,062,923	11,243,058
EQUITY					
Share capital	23	111,173,359	109,017,233	111,173,359	109,017,233
Reserves		364,411	30,473	364,411	30,473
Accumulated losses		(104,474,847)	(98,045,302)	(104,474,847)	(97,804,648)
Parent interest		7,062,923	11,002,404	7,062,923	11,243,058
Minority equity interest		-	-	-	-
TOTAL EQUITY		7,062,923	11,002,404	7,062,923	11,243,058

The accompanying notes form part of these financial statements.

INTERMOCO LIMITED
ABN: 006 908 707
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

		<u>Share Capital</u>			
	Note	Ordinary	Accumulated losses	Option Reserve	Total
		\$	\$	\$	\$
Consolidated					
Balance at 1 July 2004	2	104,188,529	(80,570,655)	-	23,617,874
Shares issued during the year		5,015,200	-	-	5,015,200
Options issued during the year		-	-	30,473	30,473
Transaction costs		(186,496)	-	-	(186,496)
Profit attributable to members of parent entity		-	(17,474,649)	-	(17,474,649)
Sub-total		109,017,233	(98,045,304)	30,473	11,002,402
Dividends paid or provided for	8	-	-	-	-
Balance at 30 June 2005		109,017,233	(98,045,304)	30,473	11,002,402
Shares issued during the year		2,213,876	-	-	2,213,876
Options issued during the year		-	-	333,938	333,938
Transaction costs		(57,750)	-	-	(57,750)
Profit attributable to members of parent entity		-	(6,429,543)	-	(6,429,543)
Sub-total		111,173,359	(104,474,847)	364,411	7,062,923
Dividends paid or provided for	8	-	-	-	-
Balance at 30 June 2006		111,173,359	(104,474,847)	364,411	7,062,923

		<u>Share Capital</u>			
	Note	Ordinary	Accumulated losses	Option Reserve	Total
		\$	\$	\$	\$
Intermoco Ltd					
Balance at 1 July 2004		104,188,529	(73,760,725)	-	30,427,804
Shares issued during the year		5,015,200	-	-	5,015,200
Options issued during the year		-	-	30,473	30,473
Transaction costs		(186,496)	-	-	(186,496)
Profit attributable to members of parent entity		-	(24,043,924)	-	(24,043,924)
Sub-total		109,017,233	(97,804,649)	30,473	11,243,057
Dividends paid or provided for	8	-	-	-	-
Balance at 30 June 2005		109,017,233	(97,804,649)	30,473	11,243,057
Shares issued during the year		2,213,876	-	-	2,213,876
Options issued during the year		-	-	333,938	333,938
Transaction costs		(57,750)	-	-	(57,750)
Profit attributable to members of parent entity		-	(6,670,198)	-	(6,670,198)
Sub-total		111,173,359	(104,474,847)	364,411	7,062,923
Dividends paid or provided for	8	-	-	-	-
Balance at 30 June 2006		111,173,359	(104,474,847)	364,411	7,062,923

The accompanying notes form part of these financial statements.

INTERMOCO LIMITED
ABN: 006 908 707
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Intermoco Ltd	
		2006	2005	2006	2005
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,984,368	654,360	393,268	-
Interest received		1,901	9,750	744	8,600
Payments to suppliers and employees		(4,651,742)	(3,872,677)	(884,182)	(900,679)
Finance costs		-	(18,628)	-	(5,162)
Payment of bond		-	(50,729)	-	(50,229)
Net cash used in operating activities	27a	(2,665,473)	(3,277,924)	(490,170)	(947,470)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(71,158)	(41,663)	(2,470)	-
Acquisition related costs		-	(150,462)	-	(150,462)
Net cash provided by investing activities		(71,158)	(192,125)	(2,470)	(150,462)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		1,153,250	3,873,545	1,153,250	3,873,545
Proceeds from borrowings		1,435,960	22,788	1,404,825	47,500
Finance lease principal		-	(9,733)	-	-
Capital raising expenses		(57,750)	(186,496)	(57,750)	(186,496)
Net advances to related parties		-	-	(2,188,554)	(2,464,951)
Net cash used in financing activities		2,531,460	3,700,104	311,771	1,269,598
Net increase/(decrease) in cash and cash equivalents		(205,171)	230,055	(180,869)	171,666
Cash and cash equivalents at beginning of financial year		271,100	41,045	181,942	10,276
Cash and cash equivalents at end of financial year	10	65,929	271,100	1,073	181,942

The accompanying notes form part of these financial statements.

INTERMOCO LIMITED
ABN: 006 908 707
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 1 Statement of Significant Accounting Policies

General

The Company (Intermoco Limited and controlled entities) is incorporated in Australia with its registered office and its principal place of business at 85 Buckhurst Street, South Melbourne, Victoria.

The principal activity of the company is hardware and software applications of Automated Meter Reading for the gas, electricity and water industries.

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Intermoco Limited and controlled entities, and Intermoco Limited as an individual parent entity. Intermoco Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Intermoco Limited and controlled entities, and Intermoco Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS).

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The consolidated financial statement of Intermoco Limited for the year ended 30 June 2006, was authorised for issue by the Board of Directors on September 29, 2006.

Going Concern

In view of the Company's cash flow requirements, a General Meeting of shareholders was held on 3 March 2006. Two resolutions were put to a vote of shareholders. Firstly, an equity placement of \$20 million, and secondly a convertible note of \$19 million. Both resolutions were passed. As at the date of this report, Intermoco has progressively received funds from Newpage Pty Ltd to fund operational requirements. However, the Company has not as yet received all of the funds and accordingly has not issued any shares to Newpage Pty Ltd under the equity placement or convertible note. The Board has sought confirmation from Newpage Pty Ltd of the reasons for the delay in providing the balance of the funds and additionally the timing for settlement in the future. Newpage Pty Ltd has advised the Board of its commitment to provide the balance of the funds as soon as possible.

The Directors believe the Company is in a position to continue as a going concern based on the arrangements it currently has in place with Newpage Pty Ltd to fund current operational requirements, and the impending settlement of the equity and convertible note.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Intermoco Limited and controlled entities, and Intermoco Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Intermoco Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer to Note 32 for further details on changes in accounting policy.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

Principles of Consolidation

A controlled entity is any entity Intermoco Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 15 to the financial statements. All controlled entities have a 30 June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Effective 1 July 2003, for the purpose of income taxation, Intermoco Limited and its subsidiaries formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. The head entity of the tax consolidation group is Intermoco Limited.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on first in first out (FIFO) basis.

Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	11%
Plant and equipment	25%
Computer Equipment	37%
Leased plant and equipment	8%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised group's share of post acquisition reserves of its associates.

Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intellectual Property

Intellectual Property is recognised at cost of acquisition. Intellectual Property has a finite life and is carried at cost less any accumulated amortisation and any impairment losses. Intellectual Property is amortised over its useful life being 5 years.

Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

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Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the groups foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

During the year Intermoco received a research and development tax concession for expenditure incurred in financial year 2004.

All revenue is stated net of the amount of goods and services tax (GST).

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis. The lease incentive liability in relation to the non-cancellable operating lease is being reduced on an imputed interest basis over the lease term at the interest rate implicit in the lease. Contingent rentals are recognised as an expense the financial year in which they are incurred.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Joint Ventures

As at 30 June 2006, the Company retained an interest in certain exploration tenements in South Australia which are covered by the Commonwealth Hill Joint Venture. The Joint Venture is inactive and the interest has been written down to nil (2005: Nil).

Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Further details are disclosed at Note 17.

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Note 2 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

	Note	Previous GAAP at 1 July 2004 \$	Effect of Transition to Australian Equivalents to IFRS \$	Australian Equivalents to IFRS at 1 July 2004 \$
Consolidated				
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		41,045		41,045
Trade and other receivables		35,301		35,301
Inventories		451,052		451,052
Financial assets		1,000		1,000
TOTAL CURRENT ASSETS		<u>528,398</u>	-	<u>528,398</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method		33,085		33,085
Plant and equipment		445,858		445,858
Intangible assets	(iii)	32,224,207	(6,809,930)	25,414,277
Other non-current assets		-		-
TOTAL NON-CURRENT ASSETS		<u>32,703,150</u>	<u>(6,809,930)</u>	<u>25,893,220</u>
TOTAL ASSETS		<u>33,231,548</u>	<u>(6,809,930)</u>	<u>26,421,618</u>
CURRENT LIABILITIES				
Trade and other payables		2,112,982		2,112,982
Interest bearing liabilities		538,966		538,966
Provisions		92,600		92,600
Other current liabilities		45,015		45,015
TOTAL CURRENT LIABILITIES		<u>2,789,563</u>		<u>2,789,563</u>
NON-CURRENT LIABILITIES				
Provisions		14,181		14,181
TOTAL NON-CURRENT LIABILITIES		<u>14,181</u>		<u>14,181</u>
TOTAL LIABILITIES		<u>2,803,744</u>		<u>2,803,744</u>
NET ASSETS		<u>30,427,804</u>	<u>(6,809,930)</u>	<u>23,617,874</u>
EQUITY				
Issued capital		104,188,529		104,188,529
Reserves		-		-
Accumulated losses	(iii)	(73,760,725)	(6,809,930)	(80,570,655)
Parent interest		30,427,804	(6,809,930)	23,617,874
Minority equity interest		-		-
TOTAL EQUITY		<u>30,427,804</u>	<u>(6,809,930)</u>	<u>23,617,874</u>

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NOTES TO THE FINANCIAL STATEMENTS
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Note 2 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

	Note	Previous GAAP at 30 June 2005 \$	Effect of Transition to Australian Equivalents to IFRS \$	Australian Equivalents to IFRS at 30 June 2005 \$
Consolidated				
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		271,100		271,100
Trade and other receivables		180,356		180,356
Inventories		288,419		288,419
Financial assets		1,000		1,000
TOTAL CURRENT ASSETS		<u>740,875</u>	-	<u>740,875</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method		-		-
Plant and equipment		383,650		383,650
Intangible assets	(i),(iii)	12,070,541	(240,654)	11,829,887
Other non-current assets		-		-
TOTAL NON-CURRENT ASSETS		<u>12,454,191</u>	<u>(240,654)</u>	<u>12,213,537</u>
TOTAL ASSETS		<u>13,195,066</u>	<u>(240,654)</u>	<u>12,954,412</u>
CURRENT LIABILITIES				
Trade and other payables		1,698,403		1,698,403
Provisions		82,584		82,584
Current tax liabilities		151,529		151,529
TOTAL CURRENT LIABILITIES		<u>1,932,516</u>	-	<u>1,932,516</u>
NON-CURRENT LIABILITIES				
Provisions		19,492		19,492
TOTAL NON-CURRENT LIABILITIES		<u>19,492</u>	-	<u>19,492</u>
TOTAL LIABILITIES		<u>1,952,008</u>	-	<u>1,952,008</u>
NET ASSETS		<u>11,243,058</u>	<u>(240,654)</u>	<u>11,002,404</u>
EQUITY				
Issued capital		109,017,233		109,017,233
Reserves	(ii)		30,473	30,473
Accumulated losses	(i),(ii),(iii)	(97,774,175)	(271,127)	(98,045,302)
Parent interest		11,243,058	(240,654)	11,002,404
Minority equity interest		-		-
TOTAL EQUITY		<u>11,243,058</u>	<u>(240,654)</u>	<u>11,002,404</u>

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NOTES TO THE FINANCIAL STATEMENTS
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Note 2 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

	Note	Previous GAAP at 1 July 2004 \$	Effect of Transition to Australian Equivalents to IFRS to IFRS \$	Australian Equivalents to IFRS at 1 July 2004 \$
Intermoco Ltd				
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		10,276		10,276
Other current assets		-		-
TOTAL CURRENT ASSETS		<u>10,276</u>	-	<u>10,276</u>
NON-CURRENT ASSETS				
Trade and other receivables		108,550		108,550
Plant and equipment		171,018		171,018
Other non-current assets		32,017,290		32,017,290
TOTAL NON-CURRENT ASSETS		<u>32,296,858</u>	-	<u>32,296,858</u>
TOTAL ASSETS		<u>32,307,134</u>	-	<u>32,307,134</u>
CURRENT LIABILITIES				
Trade and other payables		1,353,881		1,353,881
Short-term borrowings		504,520		504,520
Current tax liabilities		-		-
Provisions		20,502		20,502
TOTAL CURRENT LIABILITIES		<u>1,878,903</u>	-	<u>1,878,903</u>
NON-CURRENT LIABILITIES				
Provisions		427		427
TOTAL NON-CURRENT LIABILITIES		<u>427</u>	-	<u>427</u>
TOTAL LIABILITIES		<u>1,879,330</u>	-	<u>1,879,330</u>
NET ASSETS		<u>30,427,804</u>	-	<u>30,427,804</u>
EQUITY				
Issued capital		104,188,529		104,188,529
Reserves				-
Accumulated losses		(73,760,725)		(73,760,725)
Parent interest				-
Minority equity interest				-
TOTAL EQUITY		<u>30,427,804</u>	-	<u>30,427,804</u>

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NOTES TO THE FINANCIAL STATEMENTS
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Note 2 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

	Note	Previous GAAP at 30 June 2005 \$	Effect of Transition to Australian Equivalents to IFRS \$	Australian Equivalents to IFRS at 30 June 2005 \$
Intermoco Ltd				
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		181,942		181,942
Other current assets		23,501		23,501
TOTAL CURRENT ASSETS		<u>205,443</u>	-	<u>205,443</u>
NON-CURRENT ASSETS				
Trade and other receivables		317,490		317,490
Plant and equipment		150,957		150,957
Other non-current assets		11,830,540		11,830,540
TOTAL NON-CURRENT ASSETS		<u>12,298,987</u>	-	<u>12,298,987</u>
TOTAL ASSETS		<u>12,504,430</u>	-	<u>12,504,430</u>
CURRENT LIABILITIES				
Trade and other payables		1,218,241		1,218,241
Short-term borrowings		-		-
Current tax liabilities		11,380		11,380
Provisions		30,268		30,268
TOTAL CURRENT LIABILITIES		<u>1,259,889</u>	-	<u>1,259,889</u>
NON-CURRENT LIABILITIES				
Provisions		1,483		1,483
TOTAL NON-CURRENT LIABILITIES		<u>1,483</u>	-	<u>1,483</u>
TOTAL LIABILITIES		<u>1,261,372</u>	-	<u>1,261,372</u>
NET ASSETS		<u>11,243,058</u>	-	<u>11,243,058</u>
EQUITY				
Issued capital		109,017,233		109,017,233
Reserves	(ii)		30,473	30,473
Retained earnings	(ii)	(97,774,175)	(30,473)	(97,804,648)
TOTAL EQUITY		<u>11,243,058</u>	-	<u>11,243,058</u>

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

Note 2 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

	Note	Previous GAAP 2005 \$	Effect of Transition to Australian Equivalents to IFRS 2005 \$	Australian Equivalents to IFRS 2005 \$
Consolidated				
Reconciliation of Profit or Loss for 2005				
Revenue		768,214		768,214
Other revenue				-
		768,214	-	768,214
Cost of goods sold		(549,436)		(549,436)
Raw materials and consumables used		(11,860)		(11,860)
Employee benefits expense	(ii)	(2,180,181)	(30,473)	(2,210,654)
Depreciation and amortisation expense	(i)	(13,369,912)	9,666,040	(3,703,872)
Finance costs		(32,533)		(32,533)
Impairment of goodwill	(iii)	(6,887,625)	(3,096,765)	(9,984,390)
Other expenses		(1,750,117)		(1,750,117)
Share of net profits of associates and joint ventures				-
Profit before income tax expense	(i),(ii),(iii)	(24,013,450)	6,538,802	(17,474,648)
Income tax expense				-
Profit from continuing operations		(24,013,450)	6,538,802	(17,474,648)
Profit/(loss) from discontinued operations				-
Profit for the year		(24,013,450)	6,538,802	(17,474,648)
Profit attributable to minority equity interest				-
Profit attributable to members of the parent entity		(24,013,450)	6,538,802	(17,474,648)

Intermoco Ltd

Reconciliation of Profit or Loss for 2005

Revenue		8,600		8,600
		8,600	-	8,600
Raw materials and consumables used				-
Employee benefits expense	(ii)	(457,988)	(30,473)	(488,461)
Depreciation and amortisation expense		(20,061)		(20,061)
Finance costs		(19,067)		(19,067)
Write down of loans to controlled entities		(2,256,010)		(2,256,010)
Write down of investments		(20,186,750)		(20,186,750)
Provision non recovery of bond		(50,229)		(50,229)
Other expenses		(1,031,945)		(1,031,945)
Share of net profits of associates and joint ventures				-
Profit before income tax expense	(ii)	(24,013,450)	(30,473)	(24,043,923)
Income tax expense				-
Profit for the year		(24,013,450)	(30,473)	(24,043,923)
Profit attributable to members of the parent entity		(24,013,450)	(30,473)	(24,043,923)

Notes to the reconciliations of equity and profit and loss at 1 July 2004 and 30 June 2005

(i) Goodwill

Goodwill on consolidation has been recalculated to derecognise intangible assets acquired that do not meet the identifiability criteria under A-IFRS.

In accordance with AASB 1, amortisation of goodwill ceases on first-time adoption of A-IFRS at 1 July 2004. The carrying amount of goodwill previously reported under AGAAP at 30 June 2004 is subject to impairment testing from that date.

On first time adoption of A-IFRS, reported results for the year ended 30 June 2005 have been adjusted for amortisation charges from 1 July 2004. Amortisation charges prior to 30 June 2004 may not be reversed under the first time adoption provisions. The effect of the change is increase in the carrying amount of goodwill by \$9,666,040 and a decrease in net loss of \$9,666,040 for the year ended 30 June 2005.

(ii) Share based payments

Under AASB 2 Share based payments, the company is required to determine the fair value of equity settled transactions and recognise an expense in the Income Statement when such payments represent remuneration or settlement of services.

On first time adoption of A-IFRS retained earnings at 1 July 2004 and reported results for the year to 30 June 2005 have been adjusted for all share based payments granted after 7 November 2002, which did not vest prior to 1 January 2005. The effect of this change was an increase in share option reserve of \$30,473 and an increase in net loss of \$30,473 for the year ended 30 June 2005.

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(iii) Impairment of assets

Under A-IFRS the recoverable amount test under the previous AGAAP is replaced by impairment testing whereby the recoverable amount is determined as the higher of fair value less costs to sell and value in use. Value in use incorporates the use of discounted cash flows. The effect of this change is a decrease in the carrying amount of goodwill by \$6,809,930 and an increase in accumulated losses at 1 July 2004 and a decrease in the carrying amount of goodwill by \$3,096,765 and an increase in net loss of \$3,096,765 for the year ended 30 June 2005.

(iv) Cash flows

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

Note 3 Revenue

	Note	Consolidated		Intermoco Ltd	
		2006	2005	2006	2005
		\$	\$	\$	\$
Operating activities					
— sale of goods		300,144	668,674	-	-
— sale of services		812,740	89,790	-	-
— interest received	3(a)	1,901	9,750	744	8,600
— research and development tax concession		393,268	-	393,268	-
Total Revenue		1,508,053	768,214	394,012	8,600
(a) Interest revenue from:					
— ultimate parent entity		744	8,600	744	8,600
— wholly-owned controlled entities		1,157	1,150	-	-
Total interest revenue		1,901	9,750	744	8,600

Note 4 Loss for the Year

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
(a) Expenses				
Cost of sales	241,437	549,436	-	-
Finance costs:				
— Wholly-owned subsidiaries	-	13,466	-	-
— Ultimate parent entity	-	19,067	-	19,067
Total finance costs	-	32,533	-	19,067
Bad and doubtful debts:				
— bond		50,229		50,229
— wholly-owned subsidiaries		99,988	-	-
Total bad and doubtful debts	-	150,217	-	50,229
Depreciation of non current assets				
— Leasehold improvements	18,401	20,560	16,484	18,381
— Plant and equipment	85,450	82,454	1,952	1,680
Amortisation of non current assets				
— Intellectual property	1,903,562	3,600,000	-	-
— Leased assets	-	857	-	-
Total amortisation & depreciation of non current assets	2,007,413	3,703,871	18,436	20,061
Specific items				
Impairment of loans to controlled entities	-	-	2,506,044	2,256,010
Impairment of investments to controlled entities	-	-	2,585,949	20,186,750
Impairment of goodwill	-	9,984,390	-	-
Operating lease - rental	299,830	252,784	263,194	252,784
Superannuation	214,317	155,619	14,520	21,780
Legal expenses	133,581	16,395	133,581	16,395
ASX listing fees and expenses	50,883	66,024	50,883	66,024
Share registry expenses	30,946	34,640	30,946	34,640

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Note 5 Income Tax

	Note	Consolidated		Intermoco Ltd	
		2006	2005	2006	2005
		\$	\$	\$	\$
The prima facie tax, using tax rates applicable in the country of origin, on the operating loss differs from the income tax provided in the financial statements as follows:					
Operating loss before income tax		(6,429,543)	(17,474,648)	(9,751,255)	(24,043,923)
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2005: 30%)					
— economic entity		(1,928,863)	(5,242,394)		
— parent entity				(2,925,376)	(7,213,177)
— other members of the income tax consolidated group net of intercompany transactions		-	-	-	-
		(1,928,863)	(5,242,394)	(2,925,376)	(7,213,177)
Tax effect of:					
— other non-allowable items		20,037	2,459	20,037	2,459
— impairment of goodwill		-	2,995,317	-	-
— share options expensed during year		100,181	9,142	100,181	9,142
Income tax benefit arising from current year		(1,808,645)	(2,235,476)	(2,805,158)	(7,201,576)
Add: benefit of tax losses not brought to account		1,808,645	2,235,476	2,805,158	7,201,576
Income tax attributable to entity		-	-	-	-
Benefit of tax balances not recognised		-	-	-	-

Carry forward tax losses

A future income tax benefit (calculated at 30 percent) of approximately \$6,672,863 (2005: \$5,435,287) for the consolidated entity, resulting from the recoupment of available tax losses as at 30 June 2006, is contingent upon the following:

- 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 effect the consolidated entity from realising the benefit from the losses.

No deferred tax asset has been brought to account at 30 June 2006 (2005: NIL) as the directors do not consider it probable that the losses will be realised in the short term.

Note 6 Key Management Personnel Compensation

- (a) Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Directors:

Graeme W. Shearer	Chairman
Martin Y.H. Yii	General Manager
Saiful A. Shahabudin	Non - Executive Director
Ir. Dr Azman bin Ahmad	Non - Executive Director
Stephen F. Black	Chief Operating Officer

Executives:

Jeffrey Bennett	Chief Financial Officer
Nigel Maitland	General Manager Marketing and Utility Sales
John Howell	General Manager Operations
Peter Taylor	General Manager Data Services and Engineering

- (b) **Summary of Key Management Personnel Compensation**

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Short term employment benefits	845,642	799,610	537,550	799,610
Post employment benefits	65,708	53,965	37,980	53,965
Other long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	280,704	50,600	192,394	50,600
	1,192,054	904,175	767,924	904,175

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(c) **Key Management Personnel Compensation**

	Short-term benefits				Post Employment Benefits
	Cash, salary & commissions \$	Cash profit share \$	Non-cash benefit \$	Other \$	Super- annuation \$
2006					
Directors:					
Graeme Shearer	90,550	-	-	-	2,250
Martin Y.H.Yii	205,000	-	-	-	18,450
Saiful A. Shahabudin	25,000	-	-	-	-
Ir. Dr. Azman bin Ahmad	25,000	-	-	-	-
Stephen F. Black	92,000	-	-	-	8,280
Executives:					
Jeffrey Bennett	100,000	-	-	-	9,000
Nigel Maitland	120,000	-	-	-	10,800
John Howell	110,092	-	-	-	9,908
Peter Taylor	78,000	-	-	-	7,020
	845,642	-	-	-	65,708
	Other long term benefits	Share-based payment		Total	
	Other \$	Equity \$	Options \$	\$	
2006 (cont.)					
Directors:					
Graeme Shearer	-	-	21,754	114,554	
Martin Y.H.Yii	-	-	21,754	245,204	
Saiful A. Shahabudin	-	-	21,754	46,754	
Ir. Dr. Azman bin Ahmad	-	-	21,754	46,754	
Stephen F. Black	-	45,000	23,033	168,313	
Executives:					
Jeffrey Bennett	-	14,000	23,345	146,345	
Nigel Maitland	-	30,000	13,340	174,140	
John Howell	-	-	10,005	130,005	
Peter Taylor	-	25,000	10,005	120,025	
	-	114,000	166,744	1,192,094	
	Short-term benefits				Post Employment Benefits
	Cash, salary & commissions \$	Cash profit share \$	Non-cash benefit \$	Other \$	Super- annuation \$
2005					
Directors:					
Graeme Shearer	145,000	-	-	-	2,250
Martin Y.H.Yii	205,000	-	-	-	18,450
Saiful A. Shahabudin	25,000	-	-	-	-
Ir. Dr. Azman bin Ahmad	25,000	-	-	-	-
Stephen F. Black	92,000	-	-	-	8,280
Executives:					
Jeffrey Bennett	100,000	-	-	-	9,000
Nigel Maitland	30,000	-	-	-	-
John Howell	110,088	-	-	-	9,908
Peter Taylor	67,522	-	-	-	6,077
	799,610	-	-	-	53,965
	Other long term benefits	Share-based payment		Total	
	Other \$	Equity \$	Options \$	\$	
2005 (cont.)					
Directors:					
Graeme Shearer	-	-	-	147,250	
Martin Y.H.Yii	-	-	-	223,450	
Saiful A. Shahabudin	-	-	-	25,000	
Ir. Dr. Azman bin Ahmad	-	-	-	25,000	
Stephen F. Black	-	13,000	5,300	118,580	
Executives:					
Jeffrey Bennett	-	28,000	4,300	141,300	
Nigel Maitland	-	-	-	30,000	
John Howell	-	-	-	119,996	
Peter Taylor	-	-	-	73,599	
	-	41,000	9,600	-	904,175

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(d) **Compensation Options**

Options Granted as Compensation to Key Management Personnel

	Vested No.	Granted No.	Grant Date	Terms & Conditions for Each Grant			
				Fair value per Option at Grant Date cents	Exercise Price cents	First Exercise Date	Last Exercise Date
Directors:							
Graeme Shearer	-	4,000,000	9 Mar 2006	2.48	6.40	9 Mar 2007	9 Mar 2010
Martin Y.H.Yii	-	4,000,000	9 Mar 2006	2.48	6.40	9 Mar 2007	9 Mar 2010
Saiful A. Shahabudin	-	4,000,001	9 Mar 2006	2.48	6.40	9 Mar 2007	9 Mar 2010
Ir. Dr. Azman bin Ahmad	-	4,000,002	9 Mar 2006	2.48	6.40	9 Mar 2007	9 Mar 2010
Stephen F. Black	-	4,000,000	9 Mar 2006	2.48	6.40	9 Mar 2007	9 Mar 2010
Executives:							
Jeffrey Bennett	-	3,500,000	28 Mar 2006	2.48	6.40	9 Mar 2007	9 Mar 2010
Nigel Maitland	-	2,000,000	28 Mar 2006	2.48	6.40	9 Mar 2007	9 Mar 2010
John Howell	-	1,500,000	28 Mar 2006	2.48	6.40	9 Mar 2007	9 Mar 2010
Peter Taylor	-	1,500,000	28 Mar 2006	2.48	6.40	9 Mar 2007	9 Mar 2010
	-	<u>28,500,003</u>					

Options granted vest after one year of grant date and expire within two to three years of vesting.

(e) **Shares Issued on Exercise of Compensation Options**

Nil

(f) **Options and Rights Holdings**

Number of Options Held by Key Management Personnel

2006	Balance	Granted during the year	Options Exercised	Net Change Other	Balance	Total Vested 30 June 2006	Total	Total
	1 July 2005				30 June 2006		Exercisable 30 June 2006	Unexercisable 30 June 2006
Directors:								
Graeme Shearer	4,000,000	4,000,000	-	(4,000,000)	4,000,000	-	-	4,000,000
Martin Y.H. Yii	4,000,000	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	-	-	4,000,000
A. bin Ahmad	4,000,000	4,000,000	-	(4,000,000)	4,000,000	-	-	4,000,000
S.Black	-	4,000,000	-	-	4,000,000	-	-	4,000,000
Executives:								
Jeffrey Bennett	2,000,000	3,500,000	-	(2,000,000)	3,500,000	-	-	3,500,000
Nigel Maitland	2,000,000	2,000,000	-	(2,000,000)	2,000,000	-	-	2,000,000
John Howell	2,000,000	1,500,000	-	(2,000,000)	1,500,000	-	-	1,500,000
Peter Taylor	350,000	1,500,000	-	(350,000)	1,500,000	-	-	1,500,000
	<u>22,350,000</u>	<u>28,500,000</u>	-	<u>(22,350,000)</u>	<u>28,500,000</u>	-	-	<u>28,500,000</u>

The net change other column above includes those options that have been forfeited by holders as well as options issued during the year under review.

(g) **Shareholdings**

Number of Shares held by Key Management Personnel

2006	Balance 1/7/05	Received as Compensation	Options Exercised	Net Change Other*	Balance 30/6/06
Directors:					
Graeme Shearer	45,809,146	-	-	(6,770,395)	39,038,751
Martin Y.H.Yii	98,184,137	-	-	(12,345,192)	85,838,945
Saiful A. Shahabudin	-	-	-	-	-
Ir. Dr. Azman bin Ahmad	-	-	-	-	-
Stephen F. Black	4,360,200	1,073,500	-	(5,433,700)	-
Executives:					
Jeffrey Bennett	2,100,361	1,575,749	-	1,606,755	5,282,865
Nigel Maitland	-	937,500	-	(150,000)	787,500
John Howell	-	-	-	-	-
Peter Taylor	-	765,957	-	-	765,957
	<u>150,453,844</u>	<u>4,352,706</u>	-	<u>(23,092,532)</u>	<u>131,714,018</u>

* Net change other refers to shares purchased or sold during the financial year.

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(h) Compensation practices

The compensation policy of Intermoco Limited has been designed to align Director and Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of Intermoco Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and executives of the Company is as follows:

1. The remuneration policy, setting the terms and conditions for the directors and executives, was developed by the remuneration committee and approved by the board.
2. All executives receive a base salary, superannuation, fringe benefits, options and performance bonuses.
3. The remuneration committee reviews executive packages annually by reference to the Company's performance, executive performance a comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Company's profits and shareholder's value. All bonuses and incentives must be linked to predetermined criteria. The board may however, exercise discretion in relation to approving incentives, bonuses, options, and can recommend changes to the committee's recommendations. The policy is designed to attract the highest caliber of executives and reward them for performance that results in long-term growth in shareholder value.

Executives are also entitled to participate in the employee option arrangements.

The executive directors and executives receive a superannuation contribution required by the government, which is currently 9 percent.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the bi-nomial pricing model.

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align director interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the directors and executives option plan.

Note 7 Auditors' Remuneration

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	55,300	57,000	55,300	57,000
— taxation services	-	78,590	-	78,590

Note 8 Dividends

During the year ended 30 June 2006, no dividends were paid or declared by the consolidated entity.

Note 9 Earnings per Share

	Consolidated	
	2006	2005
	\$	\$
(a) Reconciliation of earnings to profit or loss		
Net loss	<u>(6,429,543)</u>	(17,474,648)
Earnings used in calculating basic loss per share	<u>(6,429,543)</u>	(17,474,648)
Earnings used in the calculation of dilutive EPS from continuing operations	<u>(6,429,543)</u>	(17,474,648)
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>788,544,716</u>	<u>700,977,142</u>
	<u>788,544,716</u>	<u>700,977,142</u>

The options are not considered dilutive as they would increase the loss per share.

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Note 10 Cash and Cash Equivalents

	Note	Consolidated		Intermoco Ltd	
		2006	2005	2006	2005
		\$	\$	\$	\$
Cash at bank and in hand		65,929	271,100	1,073	181,942
		65,929	271,100	1,073	181,942

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents		65,929	271,100	1,073	181,942
		65,929	271,100	1,073	181,942

Note 11 Trade and Other Receivables

	Note	Consolidated		Intermoco Ltd	
		2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT					
Trade receivables		161,322	156,355	-	-
		161,322	156,355	-	-
NON - CURRENT					
Amounts receivable from:					
— wholly-owned entities	(i)	-	-	15,745,852	13,557,298
— provision for impairment of receivables wholly-owned subsidiaries		-	-	(15,745,852)	(13,239,808)
		-	-	-	317,490

(i) Receivables from wholly-owned entities are non interest bearing

(ii) The receivable carrying amount was assessed at 30 June 2006 and an impairment was made for the full carrying amount for the period.

Note 12 Inventories

	Note	Consolidated		Intermoco Ltd	
		2006	2005	2006	2005
		\$	\$	\$	\$
At net realisable value					
Raw materials		198,043	200,610	-	-
Finished goods		140,794	87,809	-	-
		338,837	288,419	-	-

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Note 13 Associated Companies

Interests are held in the following associated companies

Name	Date of Incorporation	Country of Incorporation	Shares	Ownership Interest		Carrying Amount of Investment	
				2006 %	2005 %	2006	2005
						\$	\$
Unlisted							
SPK Intermoco Sdn. Bhd.	28 February 2002	Malaysia	Ordinary	49	49	-	-
SPK Engineering Services Sdn. Bhd.	8 March 2000	Malaysia	Ordinary	-	49	-	-
SMA Thailand Co. Ltd.	16 October 2003	Thailand	Ordinary	49	49	-	-
						-	-

The companies are not active and the carrying values of their assets and liabilities are not material.

Note 14 Other Financial Assets (non current)

	Note	Consolidated		Intermoco Ltd	
		2006	2005	2006	2005
		\$	\$	\$	\$
Shares in controlled entities, at cost		-	-	66,475,011	65,655,011
less: allowance for diminution		-	-	(56,410,420)	(55,588,806)
		-	-	10,064,591	10,066,205
Shares in associated entities, at cost		-	-	1,764,335	1,764,335
less: allowance for diminution		-	-	(1,764,335)	-
		-	-	10,064,591	11,830,540

The directors have assessed the carrying value of the Company's investments in controlled entities and have determined that a impairment write-down is required to equate the carrying value of the investments to net assets of the controlled entities.

Note 15 Controlled Entities

(a) **Controlled Entities Consolidated**

	Country of Incorporation	Date of Incorporation	Percentage Owned (%)*	
			2006	2005
Parent entity:				
Intermoco Limited	Australia	10 September 1987	N/A	N/A
Controlled entities				
Intermoco Solutions Pty Ltd	Australia	18 August 2000	100	100
Sonran Gold Pty Ltd	Australia	4 July 1997	99	99
Vircom Pty Ltd	Australia	6 July 2000	100	N/A
National Energy Management Agency Pty Ltd	Australia	21 June 2004	100	N/A
Mexex Gold Corporation SA de CV	Mexico	31 March 1998	99	99

* Percentage of voting power is in proportion to ownership

(b) **Acquisition of Controlled Entities**

On 1 July 2005 Intermoco Limited acquired 100 percent of National Energy Management Agency Pty Ltd, for a purchase consideration of \$320,000.

On 1 July 2005 Intermoco Limited acquired 100 percent of Vircom Pty Ltd, for a purchase consideration of \$500,000.

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Note 16 Plant and Equipment

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Plant and equipment				
At cost	827,253	714,244	58,543	58,543
Accumulated amortisation	(591,194)	(492,382)	(54,543)	(52,591)
	<u>236,059</u>	<u>221,862</u>	<u>4,000</u>	<u>5,952</u>
Leasehold improvements				
At cost	205,906	203,436	178,618	176,148
Accumulated amortisation	(60,048)	(41,647)	(47,627)	(31,143)
	<u>145,858</u>	<u>161,789</u>	<u>130,991</u>	<u>145,005</u>
Total Plant and Equipment	<u>381,917</u>	<u>383,651</u>	<u>134,991</u>	<u>150,957</u>

(a) **Movements in Carrying Amounts**

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment	Leasehold Improvements	Total
	\$	\$	\$
Consolidated			
Balance at the beginning of year	221,862	161,789	383,651
Additions	68,687	2,470	71,157
Additions through acquisition of entity	30,960	-	30,960
Depreciation expense	(85,450)	(18,401)	(103,851)
Carrying amount at the end of year	<u>236,059</u>	<u>145,858</u>	<u>381,917</u>
Intermoco Ltd			
Balance at the beginning of year	5,952	145,005	150,957
Additions	-	2,470	2,470
Depreciation expense	(1,952)	(16,484)	(18,436)
Carrying amount at the end of year	<u>4,000</u>	<u>130,991</u>	<u>134,991</u>

Note 17 Intangible Assets

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Goodwill				
Cost	49,374,146	48,852,175	-	-
Accumulated impairment losses	(38,925,850)	(38,925,850)	-	-
Net carrying value	<u>10,448,296</u>	<u>9,926,325</u>	<u>-</u>	<u>-</u>
Intellectual Property				
Cost	18,000,000	18,000,000	-	-
Accumulated amortisation	(18,000,000)	(16,096,438)	-	-
Net carrying value	<u>-</u>	<u>1,903,562</u>	<u>-</u>	<u>-</u>
Total intangibles	<u>10,448,296</u>	<u>11,829,887</u>	<u>-</u>	<u>-</u>

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	Goodwill \$	Intellectual Property \$
Year ended 30 June 2005		
Balance at the beginning of year	19,910,715	5,503,562
Additions	-	-
Disposals	-	-
Amortisation charge	-	(3,600,000)
Impairment losses	(9,984,390)	-
Closing carrying value at 30 June 2005	<u>9,926,325</u>	<u>1,903,562</u>
Year ended 30 June 2006		
Balance at the beginning of year	9,926,325	1,903,562
Additions	521,971	-
Disposals	-	-
Amortisation charge	-	(1,903,562)
Impairment losses	-	-
Closing carrying value at 30 June 2006	<u>10,448,296</u>	<u>-</u>

Intangible assets, other than goodwill have finite useful lives. The current amortisation charges in respect of intangible assets are included under depreciation and amortisation expense per the income statement. Goodwill has an infinite life.

Impairment Disclosures

The carrying amounts of the consolidated entity's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

The following assumptions were used in the value-in-use calculation:

- Cash flow projections based on financial budgets approved by senior management covering a 5 year period.
- Forecast cash flows included probability forecasts of 10 to 20% for total local sales and 50 to 60% for projects tendered sales overseas. The cash flows were then discounted at a rate of 20 % reflecting the business and risk profiles for both the local and overseas sales.
- The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year.
- Revenue attributable to local and overseas sales for year 2007 is split:

International	44%
Local	56%

Note 18 Other Financial Assets

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
CURRENT				
Prepayments	-	24,001	-	23,501
Bond	-	1,000	-	-
	<u>-</u>	<u>25,001</u>	<u>-</u>	<u>23,501</u>

Note 19 Trade and Other Payables

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Trade payables	1,025,106	748,781	682,827	552,547
Accrued expenses	608,895	488,249	154,341	665,694
Amounts payable to:				
— directors	834,423	461,373	834,423	461,373
— management and executives	24,007	-	8,333	-
— subsidiaries of ultimate parent entity	-	-	7,866	-
	<u>2,492,431</u>	<u>1,698,403</u>	<u>1,687,790</u>	<u>1,679,614</u>

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Note 20 Financial liabilities

	Note	Consolidated		Intermoco Ltd	
		2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT					
Unsecured liabilities					
Unsecured loan from related entity	(i)	1,435,960	-	1,396,960	-
		<u>1,435,960</u>	<u>-</u>	<u>1,396,960</u>	<u>-</u>

(i) Terms and conditions

All financial liabilities at balance date are unsecured and non interest bearing

Note 21 Provisions

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
CURRENT				
Employee Entitlements				
Opening balance at beginning of year	82,584	92,600	30,268	20,502
Additional provisions raised during year	120,932	43,214	28,615	28,615
Amounts used	(40,436)	(53,230)	(13,447)	(18,849)
Balance at end of the year	<u>163,080</u>	<u>82,584</u>	<u>45,436</u>	<u>30,268</u>

NON CURRENT

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Employee Entitlements				
Opening balance at beginning of year	19,492	14,181	1,483	427
Additional provisions raised during year	4,060	5,311	2,161	1,056
Balance at end of the year	<u>23,552</u>	<u>19,492</u>	<u>3,644</u>	<u>1,483</u>

Analysis of Total Provisions

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Current	163,080	82,584	45,436	30,268
Non-current	23,552	19,492	3,644	1,483
	<u>186,632</u>	<u>102,076</u>	<u>49,080</u>	<u>31,751</u>

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Note 22 Expenditure Commitments

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Operating leases				
Office rental commitments not provided in the balance sheet				
0 to 1 year	255,000	255,000	255,000	255,000
1 - 5 years	1,030,000	1,285,000	1,030,000	1,285,000
Total lease expenditure contracted for at 30 June 2006	<u>1,285,000</u>	<u>1,540,000</u>	<u>1,285,000</u>	<u>1,540,000</u>

Note 23 Share capital

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Issued and paid up capital				
Fully paid ordinary shares	111,173,359	109,017,233	111,173,359	109,017,233
Total contributed equity	<u>111,173,359</u>	<u>109,017,233</u>	<u>111,173,359</u>	<u>109,017,233</u>

(a) Ordinary Shares

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	No.	No.	No.	No.
At the beginning of reporting period	748,368,539	622,091,707	748,368,539	622,091,707
Shares issued during year				
— Shares issued for cash	31,821,429	100,920,043	31,821,429	100,920,043
— Shares issued for operating activities (non cash)	5,950,235	14,473,616	5,950,235	14,473,616
— Shares issued for repayment of loans (non cash)	-	10,883,173	-	10,883,173
— Shares issued for acquisitions (non cash)	19,383,721	-	19,383,721	-
At reporting date	<u>805,523,924</u>	<u>748,368,539</u>	<u>805,523,924</u>	<u>748,368,539</u>

INTERMOCO LIMITED
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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.

The Company does not have a limited authorised capital and issued shares have no par value.

(b) **Options**

(i) For information relating to the Intermoco employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end. Refer to Note 29.

(ii) For information relating to share options issued to key management personnel during the financial year. Refer to Note 29.

Note 24 Reserves

(a) **Option Reserve**

The option reserve records the value of options issued as equity settled transactions and any cash received for options.

The movement in the option reserve account details in the statement of changes in equity.

Note 25 Contingent Liabilities and Contingent Assets

At the date of this report there were no contingent liabilities

Note 26 Industry and Geographical Segment Information

Industry segments

The consolidated entity operates predominantly in one business segment being the monitoring and control industry, with particular focus on products and solutions for the utilities' industries.

Geographical segments

The consolidated entity operates predominantly in the one geographical segment being Australia.

Note 27 Cash Flow Information

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax				
Operating loss after income tax	(6,429,543)	(17,474,648)	(6,670,198)	(24,043,923)
Non-cash flows in operating loss				
Amortisation of intellectual property	1,903,562	3,600,000	-	-
Amortisation of other assets	18,401	21,417	16,483	18,381
Depreciation	85,180	82,454	1,953	1,680
Impairment of loans to controlled entities	-	-	-	2,256,010
Impairment of investments	-	-	5,091,993	20,186,750
Shares issued for services rendered	240,626	575,730	240,626	575,730
Impairment to recoverable amount	1,500	183,302	-	50,229
Share options expensed	333,938	30,473	333,938	30,473
Impairment loss	-	9,984,390	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and other receivables	395,301	(221,041)	-	-
(Increase)/decrease in prepayments	23,501	(24,001)	23,501	(23,501)
(Increase)/decrease in inventories	(50,418)	162,633	-	-
(Increase)/decrease in bonds	-	(50,229)	-	(50,229)
Increase/(decrease) in trade payables	249,357	(322,874)	122,802	(162,808)
Increase/(decrease) in accrued expenses	478,566	210,285	331,403	189,010
Increase/(decrease) in income in advance	-	(45,015)	-	-
Increase/(decrease) in unsecured loans from related parties	-	13,905	-	13,905
Increase/(decrease) in provisions	84,556	(4,705)	17,329	10,823
Cash flow from operations	(2,665,473)	(3,277,924)	(490,170)	(947,470)

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	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
(b) Acquisition of Entities				
During the year 100% of the controlled entity Vircom Pty Ltd was acquired. Details of this transaction are:				
Purchase consideration through placement of shares	500,000	-	-	-
Assets and liabilities held at acquisition date:				
Cash and cash equivalents	19,885	-	-	-
Receivables	362,371	-	-	-
Property, plant and equipment	30,960	-	-	-
Payables	(85,770)	-	-	-
Employee provisions	(39,138)	-	-	-
	288,308	-	-	-
Goodwill on consolidation	211,692			
Minority equity interests in acquisition				
	500,000	-	-	-

The goodwill is attributable to the premium paid for the commercial benefit that Vicom provides via its support of the national and international distribution of Intermoco products and services. The purchase also provides Intermoco with an established service and software centre in Western Australia, enabling enhanced support for its major utility client in the State.

The consideration for acquisition of Vircom Pty Ltd was \$500,000 settled by the issue of 11,627,907 ordinary shares at an average price of 4.3 cents.

The assets and liabilities arising from the acquisition are recognised at fair value which is equal to its carrying value at acquisition.

Vircom Pty Ltd contributed a net loss of \$356,685 for the period from date of acquisition (4 July 2005) to balance date.

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
During the year 100% of the controlled entity National Energy Management Agency Pty Ltd was acquired. Details of this transaction are:				
Purchase consideration through placement of shares	320,000	-	-	-
Assets and liabilities held at acquisition date:				
Cash and cash equivalents	375	-	-	-
Receivables	9,345	-	-	-
	9,720	-	-	-
Goodwill on consolidation	310,280			
Minority equity interests in acquisition				
	320,000	-	-	-

The goodwill is attributable to the premium paid for National Energy Management Agency Pty Ltd existing customer base. The acquisition enables Intermoco to provide the administrative processes required by clients to assist with the on-selling of electricity and other utilities services into the target market.

The consideration for acquisition of National Energy Management Agency Pty Ltd was \$320,000 settled by the issue of 7,755,814 ordinary shares at an average price of 4.1 cents.

National Energy Management Agency Pty Ltd contributed a net profit of \$84,767 for the period from date of acquisition (1 July 2005) to balance date.

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Note 28 Options

The following share-based payment arrangements existed at 30 June 2006.

As at 1 July 2005, a total of 100,450,000 options over ordinary shares in the Company were outstanding. Of these 75,000,000 were held by Macquarie Bank Limited, 12,000,000 held by Directors and 13,540,000 held by employees. During the period to 30 June 2006, the Company granted a total of 8,430,000 options over ordinary shares to employees under the existing Company's Employee Option Plan. The Employee Option Plan expired on 13 February 2006 and 21,970,000 employee options were cancelled. During the year 75,000,000 Macquarie options expired and so did 12,000,000 Directors options and 1,000,000 private investor options.

On the 3 March 2006 shareholders approved new option plans for Directors and employees. On 9 March 2006 and 28 March 2006, 16,000,000 options were issued to Directors and 28,070,000 issued to employees at an exercise price of 6.4 cents. These 44,070,000 options is the total options over ordinary shares in the Company outstanding at 30 June 2006. 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.

	Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price \$	Fair Value (cents)
Option Holder						
Macquarie	75,000,000	12 Aug 2002	12 Aug 2002	30 Jun 2006	15 cents	N/A
Directors	12,000,000	15 Nov 2002	15 Nov 2003	30 Jun 2006	15 cents	N/A
Employees	13,540,000	13 Feb 2002 to 2 May 2005	12 Mths	13 Feb 2006	12.5 cents	N/A
Total	100,540,000					
Option granted during the reporting period						
Private Investors	1,000,000	13 Jul 2005	13 Jul 2005	30 Jun 2006	5 cents	0.56
Employees	8,430,000	13 Jul 2005	13 Jul 2006	13 Feb 2006	12.5 cents	0.00
Directors	8,000,000	9 Mar 2006	9 Mar 2007	9 Mar 2010	6.4 cents	2.48
Directors	4,000,000	9 Mar 2006	9 Mar 2008	9 Mar 2010	6.4 cents	2.48
Directors	4,000,000	9 Mar 2006	9 Mar 2009	9 Mar 2010	6.4 cents	2.48
Employees	2,000,000	9 Mar 2006	9 Mar 2007	9 Mar 2010	6.4 cents	2.48
Employees	1,300,000	9 Mar 2006	9 Mar 2007	9 Mar 2010	6.4 cents	2.48
Employees	2,000,000	9 Mar 2006	9 Mar 2008	9 Mar 2010	6.4 cents	2.48
Employees	18,520,000	28 Mar 2006	28 Mar 2007	28 Mar 2010	6.4 cents	3.04
Employees	4,250,000	28 Mar 2006	28 Mar 2007	28 Mar 2008	6.4 cents	2.14
Total	53,500,000					
Options exercised during the reporting period						
Nil	-					-
Total	-					
Options cancelled / expired during the reporting period						
Macquarie	75,000,000	12 Aug 2002		30 Jun 2006	15 cents	-
Private Investors	1,000,000	13 Jul 2005		30 Jun 2006	5 cents	-
Directors	12,000,000	15 Nov 2002		30 Jun 2006	15 cents	-
Employees	21,970,000	13 Feb 2002 to 2 May 2005		13 Feb 2006	12.5 cents	-
Total	109,970,000					
Summary of outstanding options at 30 June 2006						
Directors	16,000,000	9 Mar 2006	12/24/36 Mths	9 Mar 2010	6.4 cents	-
Employees	5,300,000	9 Mar 2006	12/24 Mths	9 Mar 2008	6.4 cents	-
Employees	22,770,000	28 Mar 2006	12 Mths	28 Mar 2010	6.4 cents	-
Total	44,070,000					

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Valuation methodology for share options

Options granted to directors, executives and employees during the period were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 2 years.

Inputs into the model;

	Option series	Option series	Option series	Option series	Option series
	13 Jul 2005	13 Jul 2005	9 Mar 2006	28 Mar 2006	28 Mar 2006
Grant date					
Exercise price (cents)	5.0	12.5	6.4	6.4	6.4
Expected volatility (percent)	65%	65%	67%	67%	67%
Option life (years)	1	0.6	4	4	2
Risk free interest rate	5.25%	5.25%	5.5%	5.5%	5.5%
Par Value (cents)	0.56	Nil	2.48	2.14	3.04

Note 29 Events After the Balance Sheet Date

Other than the matters noted below no significant events have occurred after balance date:

- On the 7th of July 2006, the Company requested a voluntary suspension of its listed securities on the Australian Stock Exchange. On the 10th of July 2006, the Australian Stock Exchange informed that the Company's request had been approved.
- On the 9th of August 2006, the Company provided notice that Non-Executive Directors Saiful A. Shahabudin and Ir. Dr. Azman bin Ahmad had resigned their positions on the board of Intermoco Limited

Note 30 Related Party Transactions

	Consolidated		Intermoco Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
Payment of consultancy fees to Springwell Pty Ltd, a company associated with Graeme Shearer (Chairman)	65,550	127,000	65,550	127,000

Payables to director related entities; refer note 19

For information on loans and receivables from subsidiaries please refer to notes 11 and 14 in these accounts.

Note 31 Financial Instruments

(a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and leases.

Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity

Price risk

The economic entity does not at present have any material price risk.

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NOTES TO THE FINANCIAL STATEMENTS
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(b) **Financial Instruments**

(i) **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.

(ii) **Interest Rate Risk**

The weighted average effective interest rate applicable to the Company's cash deposits during the year ended 30 June 2006 was approximately 4.0 per cent per annum.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date

	2006		2005	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Cash	65,929	65,929	271,100	271,100
Trade and other debtors	161,322	161,322	156,355	156,355
Bonds and deposits	-	-	1,000	1,000
	227,251	227,251	428,455	428,455

	2006		2005	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Trade and other creditors	1,025,106	1,025,106	748,781	748,781
Accrued Expenses	1,467,325	1,467,325	949,622	949,622
Unsecured loan	1,435,960	1,435,960		
	3,928,391	3,928,391	1,698,403	1,698,403

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.

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

Note 32 Change In Accounting Policy

The following Australian Accounting Standards have been issued or amended but are not yet effective and are applicable to the entity. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	AASB Standard Affected	Nature of change in accounting policy and impact	Application date of the standard	Application date for the group
2004-3	AASB 1: First-time adoption of AIFRS AASB 101: Presentation of Financial Statements AASB 124: Related Party Disclosures AASB 139: Financial Instruments:	No change, no impact	1 January 2006	1 July 2006
2005-1	Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005-5	AASB 1: First-time adoption of AIFRS AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005-06	AASB 3: Business Combinations AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005-10	AASB 101: Presentation of Financial Statements AASB 114: Segment Reporting AASB 117: Leases AASB 133: Earnings per share AASB 132: Financial Instruments: Disclosure and Presentation	No change, no impact	1 January 2007	1 July 2007
	AASB 1: First-time adoption of AIFRS	No change, no impact	1 January 2007	1 July 2007
	AASB 4: Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 1023: General Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 1038: Life Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 121: The Effects of Changes in Foreign Exchange Rates	No change, no impact	1 January 2007	1 July 2007
2006-1	AASB 7: Financial Instruments: Disclosure and Presentation	No change, no impact	1 January 2006	1 July 2006
New Standard	AASB 119: Employee Benefits: December 2004	No change, no impact	1 January 2007	1 July 2007
		No change, no impact	1 January 2006	1 July 2006

All other pending standards issued between the previous financial report and the current reporting dates have no application to either the parent or economic entity.

AASB Amendment	AASB Standard Affected
2005-2	AASB 1023: General Insurance Contracts
2005-4	AASB 139: Financial Instruments: Recognition and Measurement AASB 132: Financial Instruments: Disclosure and Presentation
2005-9	AASB 4: Insurance Contracts AASB 1023: General Insurance Contracts AASB 139: Financial Instruments: Recognition and Measurement AASB 132: Financial Instruments: Disclosure and Presentation

INTERMOCO LIMITED
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The directors of the company declare that:

- 1 the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - give a true and fair view of the financial position as at 30 June 2006 and of the performance for the
 - (b) year ended on that date of the company and economic entity;

2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - the financial records of the company for the financial year have been properly maintained in
 - (a) accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director

Graeme W. Shearer

Dated this 29th day of September 2006

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the Income Statement, Statement of Changes in Equity, Balance Sheet, Cash Flow Statement, Notes to and Forming Part of the Financial Statements and the Directors' Declaration for Intermoco Limited (the company) and its controlled entities, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report 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 in order to express an opinion 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 and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

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

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

**INDEPENDENT AUDIT REPORT
TO MEMBERS OF INTERMOCO LIMITED (CONT'D)**

Chartered Accountants
& Business Advisers

Qualification

The recoverability, at 30 June 2006, of the carrying amount of Intangibles of \$10,551,859 in the consolidated Balance Sheet and the Investment in controlled entities of \$10,064,591 in the parent Balance Sheet is dependent upon the ability of Intermoco Limited to generate sufficient future cash flows from the intangible asset. The directors have provided us with forecasts in relation to future cash flows associated with the intellectual property and investment in subsidiaries. We have been unable to obtain sufficient reliable independent evidence to support the forecasts at 30 June 2006 nor the forecasts supporting the balances at 30 June 2004 and 30 June 2005 as disclosed in Note 2 and the Balance Sheet. Therefore we are unable to conclude whether the intangible asset is carried at an amount above its recoverable amount in accordance with AASB 136 "Impairment of Assets" and AASB 138 "Intangible Assets".

Audit Opinion

In our opinion, except for the effects on the financial report of the matter referred to in the qualification paragraphs, 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 company's and consolidated entity's financial position as at 30 June 2006, and of their performance for the year ended on that date, and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As disclosed in Note 1(a), the financial statements have been prepared on a going concern basis. The ability of the entity to continue as a going concern is dependent upon the factors outlined by directors in Note 1(a). There is significant uncertainty as to whether these factors will allow the company to continue as a going concern. If the company is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts that may be different to those stated in the financial statements.



PKF
Chartered Accountants



R A Dean
Partner

29 September 2006
Melbourne

ASX Additional Information

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 25 September 2006.

Substantial Shareholders

As at 25 September 2006, the Company's Register of Substantial Shareholders disclosed two substantial shareholders. The names of the substantial shareholders are Austral Systems Sdn Bhd and Australon Enterprises Pty. Ltd.

Shareholder Distribution

As at 25 September 2006, the issued share capital of the Company comprised 805,523,924 fully paid ordinary shares. Further, a total of 44,070,000 options over shares in the Company were outstanding (refer Note 29 of the accompanying financial statements for details). As at that date, the Company's Register of Shareholders disclosed a total of 2,473 shareholders. The number of shareholders, by size of holding, in each class of share is:

	Ordinary Shares		Preference Shares	
	No. of holders	No. of shares	No. of holders	No. of shares
1 - 1,000	39	16,458	-	-
1,001 - 5,000	124	446,921	-	-
5,001 - 10,000	493	4,662,445	-	-
10,001 - 100,000	1,103	51,937,407	-	-
100,001 - and over	714	748,460,693	-	-
Total	2,473	805,523,924	-	-

The number of shareholders holding less than a "marketable parcel" of shares as at 25 September 2006 (being 13,514 shares) was 714. These shareholders held a total of 5,821,177 fully paid ordinary shares in the Company as at that date, representing approximately 0.73 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 44,070,000 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 15 September 2005)

		Listed ordinary shares	
		No. of shares	% of ordinary shares
1	Austral System SDN BHD	98,386,669	12.21
2	Australon Enterprises Pty Ltd	83,831,922	10.40
3	ANZ Nominees Ltd	42,161,386	5.23
4	Advanced Communications Technologies	37,946,691	4.71
5	Newpage Pty Ltd	30,788,751	3.82
6	Dr. Leon Eugene Pretorius	21,000,000	2.61
7	Mr Robert Leslie Henderson	12,000,000	1.49
8	Hotel Nominees	12,000,000	1.44
9	Dr. Leon Eugene Pretorius	11,000,000	1.37
10	Citicorp Nominees Pty Ltd	10,208,493	1.27
11	Pakette Pty Ltd	9,300,002	1.15
12	Mr Frank Rotar	9,107,143	1.13
13	Jamare Pty Ltd	7,000,000	0.87
14	Mr. George Georges	6,000,000	0.74
15	MLW Holdings Pty Ltd	5,457,024	0.68
16	Mr Lindo Rotar	5,193,201	0.64
17	Mr Robert Leslie Henderson	5,000,000	0.62
18	Mr. Andrew John Roberts	5,000,000	0.62
19	Mr Michael Hynes	4,322,000	0.54
20	Cherdan Nominees	3,750,000	0.47
Totals		422,831,189	52.49