STARGROUP LIMITED

ABN: 87 061 041 281
and Controlled Entities

ANNUAL REPORT

2017

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The report covers the consolidated group consisting of Stargroup Limited and the entities it controlled during the year ended 30 June 2017. The report is presented in Australian currency.

The report was authorised for issue by the directors on 29 September 2017. The Company has the power to amend and reissue the report.

CHAIRMAN'S REPORT

Stargroup Limited (ABN 87 061 041 281)
Unit 1, 25 Montgomery Way
MALAGA WA 6090

29 September 2017

Dear Shareholders,

I am pleased to present this report to the shareholders of Stargroup Limited ('Stargroup').

On 5 July 2016, Stargroup completed the capital raising and acquisition of the Cash My ATM network, which from 1 June 2016 added 95 ATMs to the network, taking its total ATM network to 348 machines at 30 June 2016. This network was acquired for $4,454,017 with the consideration being satisfied by the payment of $4,008,615 in cash and the balance by the issue of 8,908,060 new fully paid STL shares to the vendor, namely Mr Jason Warren, at $0.05 per share which was above the current market price at the time.

On 8 July 2016, Stargroup achieved its 10th record quarter of revenue in a row with a 242% increase in annual revenue in the FY16 year when compared to the FY15 year.

On 8 July 2016, Stargroup announced that it had agreed to place 5,000,000 fully paid ordinary shares in the Company at $0.036 per share to existing shareholders, to raise $180,000 which was largely to take the total shares on issue on a fully diluted basis to 650,000,000 shares.

On 1 August 2016, Stargroup announced that it had changed its auditor from Nexia Court & Co (who operated in Sydney) to Nexia Perth Audit Services Pty Ltd to coincide with the head office relocation from Sydney to Perth that had occurred in late 2015 as part of the reverse takeover of iCash Payment Systems Limited by Stargroup.

On 11 August 2016, NeoICP Korea Inc, a private South Korean Company that Stargroup owns 11.28% of, announced their full year results with all key financial metrics being significantly up on the FY15 results and the payment of a maiden dividend from NeoICP to Stargroup.

On 18 August 2016, Stargroup announced that the Company had issued 2,500,000 fully paid ordinary shares which represented the 2016 performance shares which were issued to key management personnel which vested some six months earlier than expected. These performance shares were approved by members of the Company at the extraordinary general meeting held on 29 July 2015.

On 25 August 2016, Stargroup announced the resignation of Mr Shaun Sutton, the Chief Operating Officer and an Executive Director, due to ill health and appointed Mr Evan McGregor to the Board.

On 30 August 2016, Stargroup announced that 56,285,714 ordinary shares were released from voluntary escrow and these shares were originally subject to voluntary escrow for a 12 month period from the date of their issue which was 7 August 2015 and these shares were held by nominees of Mr Todd Zani, the Company CEO and Executive Chairman and nominees of major shareholder Mr Arthur Ognenis.

On 30 August 2016, Stargroup announced a five year distribution agreement deal for EFTPOS terminals and software with West International AB via its 100% owned subsidiary, StarApps Pty Ltd, to release next generation payment solutions and applications in Australia and New Zealand.

On 13 September 2016, Stargroup signed a 3 year, $15million, ATM Cash Convenience Agreement with Goldfields Money which significantly lowered the cash costs of the Group. Stargroup, via Star Payment Systems, also agreed to provide Goldfields Money with its own state of the art ATM machines to service customers in remote locations where major banks have withdrawn banking services and successfully installed the "bank in a box" Recycler ATM in the Goldfields Money branches. Stargroup also agreed to partner with Goldfields money and roll out "Star labelled" financial products to its customers.

On 28 September 2016, Stargroup announced that it had diversified and signed an exclusive MOU to acquire from Indue Limited an ATM switching, settlement, processing, telecommunications and ATM reseller business which included 70 ATM Deployers, 1,700 ATMs, 1,350 modems and approximately 12,000,000 transactions per annum. The consideration payable was $6.5million, payable in cash and the acquisition was to be fully funded via debt with an intended completion date of 31 December 2016.

On 5 October 2016, Stargroup announced its 11th record quarter of revenue with 51% growth in quarterly revenue.

On 2 December 2016, Stargroup announced it had signed the Asset Sale Agreement with Indue Limited to acquire the ATM Businesses and that it had secured a $15million funding facility to fund the Indue acquisition and other acquisitions from a Sydney credit provider.

On 4 January 2017, Stargroup announced it had achieved another record quarter of revenue, its 12th in a row, with a 218% improvement in 2016 YTD ATM revenue compared to the 2015 YTD ATM revenues generated.

On 13 January 2017, Stargroup announced that all agreements had been executed with Indue and that the transaction was proceeding on an unconditional basis and an expected completion date of 24 January 2017.

On 25 January 2017, Stargroup announced that the settlement of Indue had not completed on 24 January 2017 but the transaction was still proceeding on an unconditional basis.

On 20 February 2017, Stargroup announced that the funding from the Sydney credit provider was not available on 24 January 2017 and as a result Stargroup had agreed with Indue to further extend the completion date to no later than 13 March 2017 and that the Sydney credit provider was required to pay a 5% non-refundable deposit ($325,000) to Indue which would be forfeited by the Sydney credit provider if the acquisition was not completed on or before 13 March 2017.

On 28 February 2017, Stargroup announced its half year results with revenues up 228%.

On 15 March 2017, Stargroup further announced to the market an update regarding the Indue ATM business acquisition update and that the 5% non-refundable deposit paid by the Sydney credit provider had been forfeited to Indue as the transaction was not completed by 13 March 2017.

On 28 March 2017, Stargroup announced that it had entered into a deed of variation with Indue Limited to vary the terms of the acquisition, which included the payment of a further 5% non-refundable deposit ($325,000) and the payment of a further $2,600,000 on or before 14 April 2017 and the balance of the consideration to be due and payable on or before 28 April 2017. The Board also agreed to commercial terms with a major shareholder to provide loan funds of $3,000,000 for a period of two years to assist in the finalisation of the acquisition.

On 5 April 2017, Stargroup announced that it had achieved its 13th record quarter of revenue with a 297% improvement in 2017 YTD revenue compared to the 2016 YTD total revenue and a further 11% increase in quarterly revenue over the prior quarterly revenue.

On 11 April 2017, Stargroup announced that it had made a $2,600,000 part payment to Indue Limited in relation to the purchase of the ATM businesses and that the balance of the consideration was due and payable on or before 28 April 2017.

On 27 April 2017, Stargroup went into a trading halt and on 1 May 2017 announced that it had successfully raised capital of $3.35million in an oversubscribed placement to sophisticated investors and a number of existing shareholders with the funds being used to finalise the Indue ATM businesses acquisition. The Appendix 3B announced on 4 May 2017 showed that the

Company actually issued 129,642,865 new fully paid ordinary shares at an issue price of $0.028 per share in a placement to new high net worth and institutional investors, increasing the total amount raised to $3,615,850. Further, directors elected to participate in the capital raising for an additional amount of $112,000 and under the placement and subject to shareholder approval, investors would also receive one attaching option for every share subscribed for, with each option exercisable at $0.05 and expiring on or before 30 November 2018, increasing the total amount raised to $3,727,850.

On 8 May 2017, Stargroup announced that it had successfully executed the Indue transaction on 5 May 2017 and that there was a greater than 30% increase in the scale of the assets acquired with 2,414 ATMs under management (previously 1,700) and processing approximately 16 million transactions a year (previously 12 million).

On 18 May 2017, Stargroup announced that it has successfully doubled the value of the ATM Cash Convenience Agreement with Goldfields Money from $15 million to $30 million.

On 1 June 2017, Stargroup announced that it had further increased its ATM network by 35% by acquiring the Fast Cash ATM network which would add a further 134 ATMs to its network, taking the number of active ATMs owned by the Group to over 500 ATMs, processing some 4.5 million transactions per year with annualised revenues of greater than $13.5million. This increased the ATM brands owned by the ATM division of Stargroup to now include Star Payments, StarATM, Cash My ATM and Fast Cash. The acquisition was fully funded by way of a $6.5million funding facility with the Sydney credit provider and was completed on 1 June 2017.

On 20 June 2017, Stargroup advised that 8,908,060 ordinary shares were released from voluntary escrow and these represented the vendor shares issued to Mr Jason Warren, the owner of the Cash My ATM business, which was acquired on 20 June 2016 and which were voluntarily escrowed for a 12 month period.

On 26 June 2017, Stargroup announced that the 2017 Performance Shares had vested and 1,875,000 fully paid ordinary shares were issued to the nominee of Mr Todd Zani, Mr Jason Warren and NeoICP Korea Inc and this represented the second tranche of a four tranche performance share tranche approved by the members of the Company at the extraordinary general meeting on 29 July 2015. The milestone for the second tranche was the installation of 500 ATMs and annualised earnings of $5million and that at the date of the announcement the Company had more than 500 active ATMs and the total revenues year to date were more than $9 million which was well above the revenue milestone set for the key management personnel.

On 26 June 2017, Stargroup announced that it had breached ASX Listing Rule 10.11, in that as part of the rights issue undertaken to finance the acquisition of the Cash My ATM Network in July 2016, Stargroup made a placement of 8,541,276 ordinary shares to the CEO and Executive Chairman and interests associated with him as part of the rights issue placement, top up facility placement and shortfall placement at 3.6 cents. Further, more recently in May 2017, the Company also issued 4,000,000 ordinary shares to interests associated with Mr Todd Zani at 2.8 cents per share. The ASX determined that Mr Todd Zani could not participate in the top up facility and shortfall placement facility, despite the legality of an underwriting agreement, without shareholder approval under listing rule 10.11 and therefore 4,498,732 ordinary shares together with the 4,000,000 ordinary shares issued in June 2017 would be required to be sold on market. These shares were almost immediately sold and reacquired by Mr Zani and Mr Zani and interests associated with him did not profit from the Placements and on 29 June the Company announced that it had completed the corrective action required to be undertaken by the ASX by no later than 31 July 2017.

On 14 July 2017, Stargroup announced that it had achieved another record quarter of revenue, its 14th in a row and that it was a 164% improvement on the revenue compared to the 2016 YTD total revenue and a further 12% improvement on the prior quarterly revenue.

On 15 August 2017, Stargroup announced that it launched the release of some new products including the casino table deposit solution, the foreign exchange machines and ticket in and ticket out redemption terminals manufactured by NeoICP Korea Inc. at the Australasian Gaming Expo which is the world's third largest gaming expo. Stargroup Limited is looking to distribute these technologies in Australia and New Zealand and to also explore further international distribution opportunities.

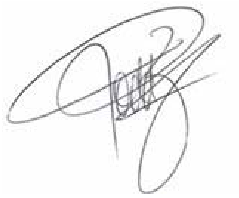
The Company has continued to build on the remarkable transformational period of the 2016 financial year with another remarkable year in 2017. The further vertical integration of the Indue ATM businesses in May 2017 has significantly increased the Company's presence in the independent ATM deployer ("IAD") market in Australia and has put Stargroup clearly in the 2nd largest IAD position in Australia.

As at 30 June 2017 Star Payments had 509 active ATMs (30 June 2016: 348 active ATMs) and was processing in excess of 3,600,000 annualised transactions (2016: 2,400,000 annualised transactions). Further to this, StarLink is now performing the daily processing on behalf of 70 ATM Deployers, including Star Payments and in total is managing over 2,400 ATMs processing greater than 17 million annualised transactions up from the 12 million advised in December 2016 and up from the 16 million advised in May 2017.

The Board wishes to thank the shareholders for the continual support throughout the last year, in particular, the overwhelming support in a number of private placements and rights issues to complete the initial reverse takeover of iCash and subsequent acquisition of two high quality ATM networks.

Stargroup has clearly completed a significant year of transformation and we are committed to becoming a significant player in the lucrative payment systems industry in Australia.

Yours faithfully,



Todd Zani

Executive Chairman

DIRECTORS' REPORT

The Directors present their report on the consolidated group consisting of Stargroup Limited ('the Company') and its controlled entities ('the Group') during the year ended 30 June 2017.

1 Directors

The Directors of the Company at any time during or since the end of the financial year are:

Mr Todd Zani – CEO and Executive Chairman

Expertise and Experience
Mr Zani was the founder of Ezeatm in early 2000 and subsequently vended that business into Ezeatm Limited in 2011, which became the largest ASX-listed ATM deployer in 2012 and had on 30 July 2012 a market capitalisation of $34.45 million.

Mr Zani is a Chartered Accountant with over 25 years' experience and is a director of Ezetax Pty Ltd, a chartered accounting firm he founded in 1999 which provides financial, accounting and taxation services to clients involved in various industries.

Appointed CEO: 1 July 2015
Appointed Chairman: 7 August 2015

Mr Jong Ho (Jay) Kim – Non-Executive Director

Expertise and Experience
Mr Kim is CEO and President of Design Studio Inc. and an Adjunct Professor at Hanyang University in Korea. He has been educated in the US in Urban Design and held a prior non-executive role with LG.

Mr Kim is also a respected executive with extensive network in the casino gaming industry across Macau, HK, and Japan. In addition to extensive corporate management and administration experience, Mr Kim brings valued business and advisory experience to assist in securing casino cash handling business in Asia.

Appointed Director: 21 August 2013
Appointed Chairman: 28 December 2013
Resigned Chairman: 7 August 2015

Mr Evan Maxwell McGregor – Non-Executive Director

Expertise and Experience
Mr McGregor has a wide range of business development skills as a result of many years' involvement with listed companies such as Asia Infrastructure, Entertainment World, Seolite Australia, Media Entertainment Group and Lond Securities.

Mr McGregor has served as a Chairman, Chief Executive Officer and Non-Executive Director of several large organisations and his experience includes strategic analysis, negotiations on complex commercial matters and corporate and financial management. He has also been instrumental in introducing investors to Stargroup through his considerable Australian and overseas networks.

Appointed Director: 25 August 2016
Directorship held in other listed entity: BKM Management Limited (Non-Executive director) (ASX:BKM)

Mr Shaun Sutton – Executive Director (Resigned)

Expertise and Experience
Mr Sutton was the Chief Operating Officer of Stargroup and has extensive experience in running and operating ATM networks in the Australian ATM industry and was the former National Logistics Manager of Ezeatm Limited and in that capacity oversaw the significant growth and national expansion of the Ezeatm business.

Appointed Director: 7 August 2015
Resigned: 25 August 2016

2 **Company Secretary**

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

Mr Sungki Lee – Company Secretary

Expertise and Experience

Mr Lee has completed the Certificate in Governance Practice from Institute of Chartered Secretaries and Administrators and brings corporate governance skills that will provide a transparent oversight, checks and balances and reporting capabilities to the Company.

Appointed as Secretary: 22 August 2013

3 **Directors Meetings held during the financial year:**

Director	Board		Audit Committee		Remuneration Committee	
	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend
Todd Zani	10	10	3	3	2	2
Jong Ho (Jay) Kim	10	10	3	3	2	2
Evan Maxwell McGregor [a]	9	9	3	3	2	2
Shaun Sutton [b]	-	-	-	-	-	-

[a] Evan McGregor was appointed on 25 August 2016

[b] Shaun Sutton was appointed on 7 August 2015 and resigned on 25 August 2016

4 **Principal Activities**

The Group is a vertically integrated banking technology business and the principal activities for the Group during the course of the financial year were specialising in the sale, deployment and operation of Automatic Teller Machines (ATMs), cash handling and other banking equipment in Australia.

5 **Operating and Financial Review**

The Group had principally four operational areas during the year, namely Star Payment Systems (ATM deployment), StarLink (ATM switching) StarATM (ATM sales, ATM software and support sales) and StarPOS (EFTPOS deployment).

The Group's revenue from continuing operations of $8,358,080 can be explained as follows:

Star Payment Systems – ATM Deployment in Australia

The business has increased the number of active ATMs from 348 at 30 June 2016 to 509 active ATMs at 30 June 2017. As a result the annualised transactions have increased from 2,400,000 transactions to well over 3,600,000 annualised transactions which is a 50% improvement.

The revenue for the year ended 30 June 2017 from this division was $6,955,254 (2016: $3,357,751) which was a 107% increase on the prior year result.

The key metrics of this business, namely the average number of transactions per machine, per month continued to outperform the number one IAD in Australia, with the Star Payments yearly average of 595 transactions per machine, per month continuing to beat our largest competitor by greater than 15%.

StarATM – ATMs, ATM Software and Support Sales

Stargroup Limited via its subsidiary, StarATM Pty Ltd, put in a concerted effort in 2017 to regain market confidence in the CashPod ATM range of ATMs and software manufactured by NeoICP Korea Inc.

StarATM is the exclusive distributor of these technologies in Australia and the confidence in the market in this product was poor in the 2014 and 2015 years and in the 2015 year in particular, the sales of these products was only $159,449 (2014 : $342.418)

We are pleased to advise that the market confidence in this product has significantly increased to the point where the revenue generated from this division in 2017 was $1,004,153 (2016: $211,633) which is a 374% improvement on the 2016 result.

Stargroup anticipates further increases in revenue from this division in the 2018 year on the back of the return in market confidence of the product and the further need for a number of ATM deployers that have previously acquired the CashPod ATM range during the 2000's to have their hardware upgraded for the new Europay, MasterCard and Visa (EMV) requirements and legislative changes occurring in the industry.

Historically in excess of 4,000 ATMs have been distributed into Australia and more than 95% of these will require both hardware and software upgrades to be fully compliant with the new EMV requirements as part of minimising the fraud risk on hardware deployed in the region. During the year StarATM assisted a large customer with upgrading in excess of 1,250 ATMs in their ATM fleet that required such an upgrade.

Stargroup has also successfully deployed the Recycling ATM ('RATM') in the 2017 year in partnership with approved deposit taking institution, Goldfields Money, at its branches and is working closely with Goldfields Money to transform their regional branches and further support regional banking in Western Australia. Goldfields are marketing the ATM as a "Super ATM".

Stargroup has also more recently displayed and launched at the Australasian Gaming Expo in Sydney the casino table deposit solution, foreign exchange machines and ticket in and ticket out redemption terminals manufactured by NeoICP as part of further expanding the vertical markets that StarATM will be able to operate in, in the 2018 financial year. StarATM will look to distribute these products in Australia whilst also looking at international distribution opportunities on the back of the interest expressed at the Expo.

StarPOS and StarApps – EFTPOS revenues

The business commenced the deployment of EFTPOS facilities in the 2016 year by virtue of a wholesale EFTPOS/payWave agreement it signed with the world's leading payment processing Company, namely First Data, whom provide the EFTPOS terminals and switching processing of the EFTPOS terminals sold and distributed by StarPOS.

As announced in November 2015, StarPOS was looking to develop a unique software change required for the rollout to the business customers of Anthem and ClaimCo as part of a joint venture agreement signed with them but this has not occurred as the development has not been commenced with First Data and their technology partner. The high level estimate provided by First Data and its technology partner to develop this software on behalf of the Company was not considered reasonable and the Board looked at alternatives to progress this development further.

The Board announced in August 2016 that it had secured the rights to acquire the same terminal as provided by First Data but more importantly it had secured the software rights to the source code inside the EFTPOS terminal to facilitate the development of the unique software and opportunities available to the Group. Further, the costs of this certification are being borne by West International AB. As a result, a distribution agreement was signed with the NASDAQ listed West International AB to certify the hardware and software in the region and to distribute it to the greater than 50,000 customer base of its joint venture partner on an as soon as practicable basis.

The Board reviewed a number of suitable processing partners to certify the hardware and software secured from West International AB but at the date of this report the certification process has not been finalised. The Board expects the certification of the terminals and software will be concluded in November 2017 with a pre-Christmas launch of the StarApps/StarPOS branded product and in the background is still working with its joint venture partners to ensure that the integration and unique software developments are running in parallel to the EFTPOS terminal and software certification.

Given the significant delay in the certification the joint venture costs were impaired by the Board at 30 June 2017.

The Board will keep its shareholders informed of those developments but at 30 June 2017 the revenues from this division were $39,656 (2016: $20,061). As a result, this division has suffered a loss in the 2017 year of $35,186 (2016: loss of $32,494).

Star Link – ATM processing, switching and telecommunication revenues

Stargroup Limited via its subsidiary, StarLink Pty Ltd, acquired the Indue ATM businesses on 5 May 2017 and the revenues from this division for the 2017 year were $334,576 and its costs of providing such services were $135,981, resulting in a gross profit from this division of $198,595 in the short period the business was owned by StarLink.

As advised to the market on 8 May 2017, the scale of the Indue asset base acquired since the transaction was originally announced was more than 30% larger than expected. At the time of settlement Indue had 2,414 ATMs under management (previously advised 1,700) and was processing approximately 15,922,920 (previously advised 12,000,000).

The Board is pleased to advise that at the date of this report the number of annualised transactions from this division is now in excess of 17,000,000 transactions and that the integration and management of these businesses has been an excellent success.

StarLink has already been successful in attracting new ATM deployers to Starlink and the vertical integration of this business has also further reduced some key operating costs to Star Payment Systems by a further 15%.

StarLink is looking to provide additional services to the 70+ ATM Deployers and is in the process of developing for release a fully integrated customer relationship management software for use by the ATM Deployers, called StarHub which is an advanced version of the software used by the Group called StarBASE. This will be marketed and commercialised in the 2018 financial year with some of the new Deployers signed to StarLink already taking up of the offer of the use of this cloud based software offering.

The Group has also been advised that the costs incurred in the development of StarHub and the StarApps certification may be eligible for refunds to the Group under the Australian Taxation Office research and development rules. The Board will keep shareholders informed of these developments but will only bring such refund to account, when received.

6 Dividends

The directors have not recommended the payment of a final dividend and no dividends were previously declared or paid.

7 Share Options

As at the date of this report, the following options are on issue:

Number of Options	Details
175,244,442	2018 Options with an exercise price of $0.05 per share

No options were granted in the financial year ended 30 June 2017, however, post balance date, an additional 127,137,508 options were granted as part of the capital raising undertaken to complete the Indue acquisition and these options were approved at an extraordinary general meeting held by the Company on 23 August 2017. This increased the total number of options on issue from 48,106,394 to 175,244,442.

8 Performance Rights

On 29 July 2015, the issue of 10,000,000 Performance Rights was approved by the Company's shareholders as follows:

Name	Number of Performance Rights	Details
Todd Zani	4,000,000	1,000,000 of each 2016, 2017, 2018 and 2019 Performance Rights
Shaun Sutton	2,500,000	625,000 of each 2016, 2017, 2018 and 2019 Performance Rights
Zaffer Soemya[a]	1,500,000	375,000 of each 2016, 2017, 2018 and 2019 Performance Rights
NeoICP	2,000,000	500,000 of each 2016, 2017, 2018 and 2019 Performance Rights
	10,000,000	

Each tranche of the Performance Rights is convertible into ordinary shares of the Company upon the achievement of the deployment of a fixed number of ATMs as well as EBITDA and NPAT targets in the relevant years.

No consideration was payable to acquire or on the exercise of the Performance Rights.

[a] During the year as part of the negotiations to acquire the Cash My ATM Network, Zaffer Soemya agreed to cancel his entitlement to Performance Rights for the 2017, 2018 and 2019 years and the Board agreed to grant these Performance Rights, subject to shareholder approval at the next AGM, to Mr Jason Warren. Mr Warren was the owner of Cash My ATM and commenced employment with the Group as the National Business Development Manager on 1 June 2016.

On 18 August 2016, the first tranche of Performance Rights was converted into ordinary shares of the Company as the first milestone for the first tranche was the installation of 250 ATMs and annualised earnings of $2,500,000 by 31 December 2016. At the date of this report, the Company had greater than 350 active ATMs and annualised revenues of greater than $6,700,000 and therefore the first milestone was achieved some six months prior to the original deadline.

As a result the following shares were issued:

Name	Number of Performance Rights	Details
Todd Zani	1,000,000	2016 Performance Rights issued as shares
Shaun Sutton	625,000	2016 Performance Rights issued as shares
Zaffer Soemya[a]	375,000	2016 Performance Rights issued as shares
NeoICP	500,000	2016 Performance Rights issued as shares
	2,500,000	

On 25 August 2016, Mr Shaun Sutton resigned due to ill health and his Performance Rights were also cancelled by the Board at that time and the cancellation of both Mr Shaun Sutton's Performance Rights, Mr Zaffer Soemya's Performance Rights and the granting of Performance Rights to Mr Jason Warren was approved by the shareholders of the Company at the 2016 Annual General Meeting held on 29 November 2016.

On 26 June 2017, the second tranche of Performance Rights was converted into ordinary shares of the Company as the second milestone for the second tranche was the installation of 500 ATMs and annualised earnings of $5,000,000 by 30 June 2017. At the date of this report, the Company had greater than 500 active ATMs and annualised revenues of greater than $8,300,000.

As a result the following shares were issued:

Name	Number of Performance Rights	Details
Todd Zani	1,000,000	2017 Performance Rights issued as shares
NeoICP	500,000	2017 Performance Rights issued as shares
Jason Matthew Warren [a]	375,000	2017 Performance Rights issued as shares
	1,875,000	

9 State of Affairs

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

Acquisition of ATM Business from Indue Limited

StarLink Pty Limited ("StarLink"), a wholly owned subsidiary of Stargroup Limited, completed the acquisition of the switching, settlement, processing, telecommunications and ATM reseller assets from Indue Limited on 5 May 2017.

The original principal agreement was to acquire the management of a 1,700 ATM network, 1350 modem network processing approximately 12,000,000 transactions a year but as announced to the market on the date of settlement the business had 2,414 ATMs under management and was processing 15,922,920 transactions, representing a greater than 30% larger business than anticipated since the negotiations to acquire, began.

Stargroup provided total consideration of $6,500,000 in cash for the assets, the Company raising $3,490,000 through the issue of 129,137,508 fully paid ordinary shares to existing shareholders at $0.028 per share and the balance being paid by way of a $3million loan from NeoICP Korea Inc. and a deposit paid by a Sydney Credit Provider.

Acquisition of Fast Cash ATM Network

Star Payment Systems Pty Ltd ("SPS"), a wholly owned subsidiary of Stargroup Limited, completed the Acquisition of the ATM network from Fast Cash ATMs Australia Pty Ltd on 1 June 2017 but was in control of the ATM network from 1 February 2017.

The principal agreement was to acquire a 134 ATM network for $4,260,000 with the purchase consideration being paid in cash and funded as part of a larger facility being provided by a Sydney Credit Provider.

The underlying ATM assets purchased were valued at $448,000 and have been classified as plant and equipment on the consolidated statement of financial position, with the remaining balance of $3,825,108, reflecting the future value of the contracts acquired and these are classified as an intangible asset as at 30 June 2017.

10 Events Subsequent to Reporting Date

Launch of New Products at the Australasian Gaming Expo

On 15 August 2017 the Company launched a casino table deposit solution and other gaming and foreign currency exchange technologies that are manufactured by NeoICP Korea Inc., at the Australasian Gaming Expo, in Sydney.

Stargroup's casino table deposit solution fully automates the acceptance of up to five different currencies at the actual gaming table as part of accelerating the provision of gambling chips to casino customers whilst also providing live data to the casino operators to monitor the settlement and performance of each table.

Stargroup also displayed a number of other advanced technologies including a foreign currency conversion terminal for use in airport terminals and popular tourist destinations which can automatically accept up to four different currencies and convert them into a local currency and a ticket in and ticket out (TITO) terminal which can accept bulk cash and tickets which is fully customisable as part of enabling fast cash redemptions for casino operators and its customers.

Issue of Options at Extraordinary General Meeting

The Company held an extraordinary general meeting on 23 August 2017 to consider the ratification of placement and consideration shares and options to shareholders as part of the capital raising to complete the Indue ATM Businesses acquisition. This included the issue of Options and Broker Options and the approval for both Mr Todd Zani and Mr Evan McGregor to participate in the placements of both the share and options as part of that process.

Joint Venture with DigitalX Limited to develop Bitcoin ATMs

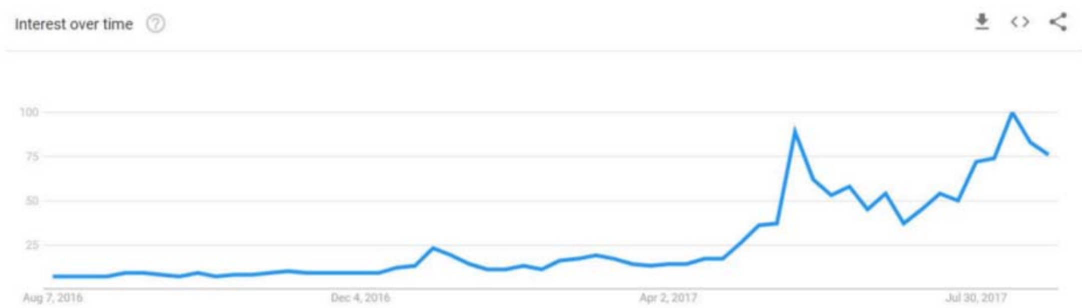
On 4 September 2017 the Company announced that it had signed a joint venture agreement with DigitalX Limited to jointly offer and tailor a two way ATM solution for buying and selling Bitcoin.

DigitalX is a Blockchain technology and advisory company providing services to enable the launch of new financial products. DigitiaX has leveraged Blockchain technology and the secure ledger system to create patent pending technology.

The joint venture agreement is for the entire global network of Stargroup ATMs, with the initial roadmap to focus on Australia. At present, there are less than 20 ATMs in Australia that can facilitate a Bitcoin transaction and conversion fees are in the range of 4% to 8% of the transaction value. The vast majority of these ATMs are only "One-Way ATMs"; meaning users can only acquire Bitcoin and add it to their Bitcoin wallet via the ATM.

The development of Two-Way ATM's means Stargroup ATMs will not only enable users to acquire Bitcoin but also to instantly convert their Bitcoin to AUD cash at the ATM. For current Bitcoin users looking to "cash out", the process can often take a number of days using existing Australian online digital currency exchanges. Once implemented the Two-Way StarATM's are expected to solve a significant pain point for Bitcoin users. DigitalX and Stargroup will share in the transaction fees charged at the ATM.

The global Bitcoin market has grown from less than $20 billion at the start of the year to over $70 billion today. As seen through the growth in Australia's Bitcoin Exchange volume and Australia's internet search interest, Bitcoin has reached a level where a large-scale ATM roll-out provides a commercial opportunity.



Source: Google Search trends "Bitcoin"

The conditions precedent in relation to the joint venture are:

1. Stargroup developing ATM software to process a two-way ATM transaction for the Bitcoin currency; and
2. DigitalX developing an API to facilitate Bitcoin transactions with the ATM software for a two-way transaction for the Bitcoin currency.
3. Refinancing of the Sydney Credit Provider loan facility, extending out the repayment date to 30 September 2018.

11 Likely Developments and Expected Results

Likely developments in the operations of the Group include:

ATM Deployments

- The further organic growth in quality only ATM sites via disciplined site selection strategy;
- The deployment of the Bitcoin ATMs as part of the Joint Venture announced with DigitalX Limited; and
- The targeting of smaller unlisted ATM deployers for mergers and acquisition.

ATM Switching and Processing

- The attracting of further independent ATM companies from competing switching providers to StarLink; and
- The offering of additional services to the independent ATM deployers via StarLink including cash convenience facilities, StarHub software and services, ATM servicing and monitoring.

ATMs and ATM parts and software sales

- The confidence in the NeoICP manufactured ATMs and ATM parts and software was regained in FY17 and the Company anticipates further accelerated revenue growth as deployers begin to acquire the hardware and also acquire software upgrades as part of the Europay, MasterCard, and Visa (EMV) upgrades. A number of larger customers upgraded their fleets in FY17 but the majority of the deployers on the StarLink switch and other switching platforms have to date resisted the early upgrading of their hardware and a significant number of those deployers have been acquiring the ATMs and software post balance date as part of upgrading their fleets.

- As announced on 13 September 2016, Stargroup has secured its first banking customer, namely Goldfields Money Limited and as at the date of this report has installed the Recycling ATM ("RATM") into two of their branches and plans to perform further installations of the RATM in further branches as part of a branch transformation project with Goldfields Money.

- There are two unique customer base opportunities for Stargroup to pursue with the RATM product:

  a) Second tier banks such as credit union and regional banks – provides the second tier banks an ability to deploy the low cost deposit taking capable ATMs at many retail centres, allowing the second tier banks to better compete with the Big 4 banks by capturing increased business customer base and increasing daily deposit takings.

  b) Retailers and Clubs with large daily cash takings – rather than to use expensive Cash-In-Transit (CIT) services, the merchants will be able to deposit their daily taking cash notes directly into the RATM, resulting in the amount being deposited into the merchant's bank account in the following day. The same RATM will also be used for normal cash withdrawals, and reducing the amount of cash notes stored in the RATM and significantly reducing the CIT expenses.

- Develop opportunities to generate new revenue streams through potential joint ventures and other partnership opportunities.

Other Markets

EFTPOS sales

- The Company through its wholly owned subsidiary, StarPOS ("StarPOS"), signed a collaborative project and development agreement with Anthem Software Pty Ltd and Claim Co Pty Ltd on 24 November 2015 to develop a software channel and accelerate the roll out of EFTPOS devices through its existing and growing customer networks.

  Anthem Software Pty Ltd is an electronic data interchange ("EDI") and supply chain software vendor with more than 50,000 users of its software across Australia and New Zealand and its customers include the Capricorn Society Limited, a member based organisation that exclusively uses Anthem Software to process more than $1.4billion worth of member purchase via its CAPlink EDI network. StarPOS is continuing via its joint venture with Anthem Software to develop the EFTPOS software in the terminal for full integration into its EDI. This project was originally expected to be completed in Q1 of 2017, enabling StarPOS to then provide EFTPOS terminals to the 50,000 users of the EDI, however, the certification of the preferred EFTPOS terminal and software secured by StarApps as outlined below is still in the certification process.

- The Company through its wholly owned subsidiary, StarApps Pty Ltd ("StarApps") announced on 30 August 2016 that it has signed a five year distribution deal for EFTPOS terminals and software with West International AB, a Swedish public company, to release next generation payment solutions and applications in Australia and New

Zealand. StarApps has committed to acquire 2,000 EFTPOS terminals per year to develop unique EFTPOS software for the Australian and New Zealand markets.

The certification of the West International AB provided terminals and software is expected to be completed in Q2 of 2018 and the Company by virtue of this agreement can finalise the development of the software inside the terminal to complete it developments with Anthem Software and other providers as part of coupling the payment at the terminal with both a PCI and non PCI solution thereby opening up significant other opportunities for the Company.

The Company is also exploring other opportunities in relation to the coupling of point of sale technologies and other technologies and industries to the EFTPOS terminals and software.

Banking Products

- The Company through its relationship with Goldfields Money and also Indue Limited is working on a program to roll out debit card, credit card and other banking products and it is expected that these projects will be launched in Q3 of FY18. This is anticipated to leverage off the 2,400+ ATMs being managed by Star as offering a means for Star banking customers to get access to their cash via the ATMs under management.

Casino and Gaming Market

- The Company will further benefit from the product development and growth within the casino gaming related products such as cash redemption terminals and gaming table automatic settlement products for the Australian market off the back of the NeoICP developments in Macau and other Asian casino gaming markets which were successfully rolled out by NeoICP in the 2016 financial year.

- These technologies were successfully debuted in Australia at the Australasian Gaming Expo in August 2017.

12 Environmental Regulations

The Group's operations are not subject to significant environmental regulation under Australian legislation in relation to the conduct of its operations.

13 Remuneration Report (Audited)

The Directors present the remuneration report on the consolidated group consisting of Stargroup Limited ('the Company') and its controlled entities ('the Group') during the year ended 30 June 2017. The report is prepared in accordance with section 300A of the Corporations Act 2001 for the company and the Group for the financial year ended 30 June 2017.

The remuneration report forms part of the Directors' Report.

This report outlines the remuneration arrangements in place for directors and executives of Stargroup Limited and the Group.

The remuneration report is set out under the following main headings:

a. Principles used to determine the nature and amount of remuneration
b. Details of remuneration
c. Service agreements
d. Share-based compensation
e. Additional information and disclosures relating to key management personnel

a. Principles used to determine the nature and amount of remuneration

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Key management personnel comprise the Directors of the Company and its subsidiaries and senior executives of the Group.

Compensation levels for key management personnel of the Group and the secretary of the Company are competitively set to attract and retain appropriately qualified and experienced directors and executives.

13 Remuneration Report (Audited) (continued)

Remuneration Policy – Non Executive Directors

The remuneration policy of the Company is to attract and retain competent and suitably qualified non-executive directors. Non-executive director remuneration is set by the Company's Board after consideration of market practices, relativities, director duties and accountabilities.

Fees
Non-executive directors' fees are determined within an annual aggregate directors' fee pool limit, which is periodically approved by shareholders.
Fees are fixed and are not linked to the performance of the Company so as to foster independence and impartiality.

Remuneration Policy - Executive Directors and other Key Management Personnel

The compensation policy explained below is designed to attract, retain, develop and motivate appropriately qualified and experienced senior executives as reward for the achievement of strategic objectives including the broader outcome of creation of value for shareholders.

The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segment/s' performance;
- the Group's performance including:
    - the Group's earnings;
    - the growth in share price and delivering constant returns on shareholder wealth; and
    - operational targets.

Fixed compensation
Fixed compensation consists of base compensation (calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Board through a process that considers individual, section and overall performance of the Group. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place.

Performance linked compensation
Performance linked compensation may be offered to Key Management Personnel (KMP), as and when the Board believes it would be appropriate on a case by case basis for each KMP. For the financial year ended 30 June 2016, 10,000,000 performance based shares were offered to KMPs and some of these were vested in the 2017 financial year.

KPIs comprise measures of total Company performance and individual performance and contain a mixture of financial, non-financial, strategic, risk and people metrics.

Performance remuneration is determined through the Board's assessment of actual individual and Group performance against pre-determined KPI's and individual contractual provisions.

b. Details of remuneration

Details of the nature and amount of each element of the remuneration of each key management personnel of Stargroup Limited are shown in the table below.

Table 1: Remuneration for the year ended 30 June 2017

	Short-term benefits				Post-employment		Long-term benefits		Share-based payments		Termination payments	Total	Performance Related
	Salary & Fees	Cash Bonus	Non-Monetary Benefits	Other	Superannuation	Retirement Benefits	Cash incentives	Long service leave	Options	Shares			
	$	$	$	$	$	$	$	$	$	$	$	$	%
Non-executive directors													
Mr Jong Ho (Jay) Kim (i)	50,000	-	-	-	-	-	-	-	-	-	-	50,000	-
Mr Evan McGregor (ii)	42,473	-	-	-	4,035	-	-	-	-	-	-	46,508	-
Total non-executive director	92,473	-	-	-	4,035	-	-	-	-	-	-	96,508	-
Executive directors													
Mr Todd Zani (iii)	250,000	-	-	-	23,750	-	-	-	-	-	-	273,750	-
Mr Shaun Sutton (iv)	50,405	-	-	-	4,788	-	-	-	-	-	-	55,193	-
Key Management Personnel													
Mrs Trena Briggs (v)	111,085	-	-	-	13,755	-	-	-	-	-	-	124,840	-
Total executive director and other key management personnel	411,490	-	-	-	42,293	-	-	-	-	-	-	453,783	-
Totals	503,963	-	-	-	46,328	-	-	-	-	-	-	550,291	-

Note - Salary & Fees includes accumulated Annual Leave paid on termination and Directors Fees

(i) Appointed 21 August 2013 as a Non-executive director and Appointed as Non-executive Chairman on 28 December 2013. Resigned as Non-executive chairman on 7 August 2015.
(ii) Appointed 25 August 2016 as a Non-executive director.
(iii) Appointed 1 July 2015 as Chief Executive Officer and Appointed as Chairman on 7 August 2015.
(iv) Appointed 7 August 2015 as an Executive director and resigned on 25 August 2016.
(v) Appointed 25 August 2016 as Chief Operating Officer.

Table 2: Remuneration for the year ended 30 June 2016

	Short-term benefits				Post-employment		Long-term benefits		Share-based payments		Termination payments	Total	Performance Related
	Salary & Fees	Cash Bonus	Non-Monetary Benefits	Other	Superannuation	Retirement Benefits	Cash incentives	Long service leave	Options	Shares			
	$	$	$	$	$	$	$	$	$	$	$	$	%
Non-executive directors													
Mr Jong Ho (Jay) Kim (i)	28,611	-	-	-	-	-	-	-	-	-	-	28,611	-
Mr Zaffer Soemya (ii)	17,115	-	-	-	1,599	-	-	-	-	35,250	-	53,964	65.32
Mr David Dickinson (iii)	10,417	-	-	-	-	-	-	-	-	-	-	10,417	-
Mr Evan McGregor (iv)	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr Taejin Kim (v)	18,254	-	-	-	-	-	-	-	-	-	-	18,254	-
Mr Ghijin Kim (ix)	1	-	-	-	-	-	-	-	-	-	-	1	-
Total non-executive director	74,398	-	-	-	1,599	-	-	-	-	35,250	-	111,247	-
Executive directors													
Mr Todd Zani (vi)	203,845	300,000	-	-	47,865	-	-	-	-	94,000	-	645,710	14.56
Mr Shaun Sutton (vii)	152,884	-	-	-	14,524	-	-	-	-	58,750	-	226,158	25.98
Mr Sungkon (David) Kim (viii)	10,731	-	-	-	1,019	-	-	-	-	-	-	11,750	-
Total executive director and other key management personnel	367,460	300,000	-	-	63,408	-	-	-	-	152,750	-	883,618	-
Totals	441,858	300,000	-	-	65,007	-	-	-	-	188,000	-	994,865	-

Note - Salary & Fees includes accumulated Annual Leave paid on termination and Directors Fees

(i) Appointed 21 August 2013 as a Non-executive director and Appointed as Non-executive Chairman on 28 December 2013. Resigned as Non-executive Chairman on 7 August 2015.
(ii) Appointed 7 August 2015 as a Non-executive director and resigned on 29 February 2016.
(iii) Appointed 1 December 2015 as a Non-executive director and resigned on 20 April 2016.
(iv) Appointed 25 August 2016 as a Non-executive director.
(v) Appointed 7 August 2015 as a Non-executive director and resigned on 30 April 2016.
(vi) Appointed 1 July 2015 as Chief Executive Officer and Appointed as Chairman on 7 August 2015.
(vii) Appointed 7 August 2015 as an Executive director and resigned on 25 August 2016.
(viii) Appointed 2 April 2015 as an Executive director and resigned on 7 August 2015.
(ix) Appointed 3 April 2014 as a Non-executive director and resigned on 7 August 2015.

13 Remuneration Report (Audited) (continued)

c. Service agreements

The Company has executive service agreements with its key management personnel. Details of these contracts are as follows:

Chief Executive Officer and Executive Chairman – Mr Todd Zani

Term:	Appointed as CEO on 20 June 2015 and as Executive Chairman on 7 August 2015.
Appointed as Director:	30 June 2015
Appointed as Chairman:	7 August 2015
Remuneration:	Fixed Remuneration of $250,000 per annum non-inclusive of superannuation benefits.
Performance Rights:	1,000,000 2018 Performance Rights 1,000,000 2019 Performance Rights
Termination Payment:	Twelve months Base Salary and superannuation in lieu of notice.

Chief Operating Officer and Executive Director – Mr Shaun Sutton (Resigned)

Term:	Appointed as Executive Director on 7 August 2015 and Resigned on 25 August 2016.
Appointed as Director:	7 August 2015
Resigned as Director:	25 August 2016
Remuneration:	Fixed Remuneration of $175,000 per annum non inclusive of superannuation benefits.
Performance Rights:	nil

Non-Executive Director – Mr Jong Ho (Jay) Kim

Term:	Resigned as Non-Executive Chairman
Appointed as Chairman:	28 December 2013
Resigned as Chairman:	7 August 2015
Appointed as Director:	21 August 2013
Remuneration:	Fixed Remuneration of $50,000 per annum.

Non-Executive Director – Mr Evan Maxwell McGregor

Term:	Appointed as a Director on 25 August 2016.
Appointed as Director:	25 August 2016
Remuneration:	Fixed Remuneration is $50,000 per annum.

Company Secretary – Mr Sungki Lee

Term:	Appointed as Company Secretary on 21 August 2013.
Appointed as Secretary:	21 August 2013
Remuneration:	Fixed Remuneration of $50,000 per annum.

13 Remuneration Report (Audited) (continued)

Chief Operating Officer – Mrs Trena Briggs

Term: Appointed as Chief Operating Officer on 25 August 2016.

Appointed as COO: 25 August 2016

Remuneration: Fixed Remuneration of $130,000 per annum.

d. Issue and movement of shares

The movement during the year in the number of share options and rights in Stargroup Limited, directly, indirectly or beneficially, by each key management personnel, including their related parties is as follows:

For year ended 30 June 2017	Held as 1 July 2016	Purchased during the year	Received on exercise of options	Net change other	Held at 30 June 2017
Non-executive director					
Mr Jong Ho (Jay) Kim	-	-	-	-	-
Mr Evan McGregor	-	3,553,396(i)	-	-	3,553,396
Executive directors					
Mr Todd Zani	32,796,538	3,725,764(iv)	-	(5,922,754)(v)	30,599,548
Mr Shaun Sutton	861,481	625,000iii	-	(1,486,841)(ii)	-
Total	33,658,019	7,904,160	-	(7,409,595)	34,152,944

(i) Mr Evan McGregor was appointed on 25 August 2016 and this represents the shares owned via indirect interests as at that date.

(ii) Mr Shaun Sutton resigned as a director on 25 August 2016 and this represented the shares he owned personally at that time.

(iii) Represents the 625,000, 2016 Performance Shares issued during the year to Mr Shaun Sutton.

(iv) Represents 1,000,000, 2016 Performance Shares and 1,000,000 2017 Performance Shares issued during the year and 1,725,764 shares acquired on market during the year

(v) Represents the on market and off market sales during the financial year. This included a mandatory sale of shares as requested by the ASX as a result of a breach of the ASX Listing Rules as notified to the market on 26 June 2017.

13 Remuneration Report (Audited) (continued)

For year ended 30 June 2016	Held as 1 July 2015	Purchased during the year	Received on exercise of options	Net change other	Held at 30 June 2016
Non-executive director					
Mr Jong Ho (Jay) Kim	-	-	-	-	-
Mr Ghijin Kim(i)	3,827,871	-	-	(3,827,871)	-
Mr Taejin Kim	-	-	-	-	-
Mr Zaffer Soemya(ii)	-	12,389,000	-	(12,389,000)	-
Mr David Dickinson(iii)	-	78,931,125	-	(78,931,125)	-
Mr Evan McGregor(iv)	-	-	-	-	-
Executive directors					
Mr Todd Zani	-	32,996,538	-	(200,000)	32,796,538
Mr Shaun Sutton	-	861,481	-	-	861,481
Mr. David Sungkon Kim	-	-	-	-	-
Total	3,827,871	125,178,144	-	(95,347,996)	33,658,019

(i) The net change other represents the amount of shares held by Mr Ghijin Kim at the date of resignation.
(ii) The net change other represents 1,118,013 shares disposed during the year and 11,270,987 shares held by Mr Zaffer Soemya at the date of resignation.
(iii) The net change represents 12,799,230 shares disposed during the year and 66,131,895 shares held by Mr David Dickinson at the date of resignation.
(iv) Mr Evan McGregor was appointed on 25 August 2016.

e. Options and rights over equity instruments

The movement during the year in the number of options and rights in Stargroup Limited, directly, indirectly or beneficially, by each key management personnel, including their related parties is as follows:

For year ended 30 June 2017	Held as 1 July 2016	Purchased during the year	Converted	Net change other	Held at 30 June 2017
Non-executive director					
Mr Jong Ho (Jay) Kim	-	-	-	-	-
Mr Evan McGregor(i)	-	7,792,239(i)	-	-	7,792,239
Executive directors					
Mr Todd Zani	5,210,489	-	(2,000,000)	-	3,210,489
Mr Shaun Sutton(ii)	2,506,000	-	-	(2,506,000)(ii)	-
Total	7,716,489	7,792,239	(2,000,000)	(2,506,000)	11,002,728

(i) Mr Evan McGregor was appointed on 25 August 2016 and this represents the options held indirectly by Mr McGregor at that time.
(ii) Mr Shaun Sutton resigned as a director on 25 August 2016 and this represented the shares he owned personally at that time.

13 Remuneration Report (Audited) (continued)

f. Additional information and disclosures relating to key management personnel

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

	2017	2016	2015	2014	2013
Profit/Loss for the year	(5,886,429)	(1,258,193)	(2,875,564)	(2,742,005)	(11,271,557)
Profit/Loss attributable to parent company	(5,886,429)	(1,258,193)	(2,875,564)	(2,742,005)	(11,271,557)
EBITDA	(1,565,528)	(1,201,501)	(1,201,501)	(2,153,169)	(1,765,474)
Dividend Paid	-	-	-	-	-
Share Price (at 30 June)	0.025	0.035	0.06	0.092	0.072
EPS (cents)	(0.97)	(0.38)	(3.74)	(2.87)	(9.70)

The overall level of key management personnel's compensation has been determined based on market conditions and is designed to attract, retain, develop and motivate appropriately qualified and experienced senior executives as reward for the achievement of strategic objectives including the broader outcome of creation of value for shareholders.

End of Remuneration Report (Audited)

14 Directors' Interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of the report is as follows:

	No of Ordinary Shares			
	2017		2016	
Director	Direct	Indirect	Direct	Indirect
Todd Zani	6,500,000	26,099,548	5,503,499	28,293,039
Jong Ho (Jay) Kim	-	-	-	-
Evan Maxwell McGregor (i)	-	3,553,396	-	-
Mr Shaun Sutton (ii)	-	-	861,481(ii)	-

	No of Options			
	2017		2016	
Director	Direct	Indirect	Direct	Indirect
Todd Zani	2,000,000	3,210,489	-	5,210,489
Jong Ho (Jay) Kim	-	-	-	-
Evan Maxwell McGregor (i)	-	7,792,239	-	-
Mr Shaun Sutton (ii)	-	-	2,506,000(ii)	-

(i) Mr Evan McGregor was appointed on 25 August 2016.
(ii) Mr Shaun Sutton resigned on 25 August 2016.

15 Indemnification and Insurance of Officers

Indemnification
For those directors and officers in office since 29 September 2005, the Company has indemnified them against all liabilities to another person that may arise from their position as directors or officers except where the liability arises out of conduct involving criminal activity or gross negligence.

Insurance Premiums
During the financial year the Company has paid premiums in respect of directors' and officers' liability insurance contracts for the year ended 30 June 2017 and since the end of the financial year, the Company has agreed to pay on behalf of the companies comprising the Group, premiums in respect of such insurance contracts for the period ending 30 September 2017. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the companies comprising the Group.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contracts.

16 Non-audit services

During the year Nexia Perth, the Company's auditor, has performed certain other services in addition to their statutory duties to the Company.

The Board has considered the non-audit services provided during the year by the auditor, and by resolution, the directors of the Company are satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the board of directors to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in the relevant APES standards and Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The fees for non-audit services were paid/payable to the external auditors during the year ended 30 June:

	2017 $	2,016 $
Nexia Perth - other services	2,800	1,500
Nexia Court & Co (previous auditor) - Income tax return, taxation advisory and other services	14,000	3,038

17 Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 28 and forms part of the directors' report for the financial year ended 30 June 2017.

18 Officers who were previously partners of the Audit Firm

Nil.

19 Corporate Governance Statement

The Company is committed to high standards of corporate governance. The Company has adopted the ASX Corporate Governance Council's "CGC Principles and Recommendations" (2nd Edition) for the entire financial year. However, given the current size of the Company, it is not appropriate or practical to comply fully with those principles and recommendations; the Company has adopted those recommendations where appropriate.

The table below summarises those recommendations and the Company's current practices, including instances where recommendations have not been adopted by the Company, this has been identified and explained below:

#	Recommended Principle	Complied	Note
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions	√	1
1.2	Disclose the process for evaluating the performance of senior executives	√	
1.3	Provide for the information indicated in the Guide for reporting Principle 1	√	
2.1	A majority of the Board should be independent directors	√	2
2.2	The chairman should be an independent director	X	3
2.3	The role of chairman and chief executive officer should not be exercised by the same individual	X	3
2.4	The Board should establish a nomination committee	X	4
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors	√	
2.6	Provide the information indicated in Guide to reporting on Principle 2	√	
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:		
	* the practices necessary to maintain confidence in the Company's integrity	√	
	* the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders	√	
	* the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	√	5
3.2	Establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy	√	6

19 Corporate Governance Statement (continued)

#	Recommended Principle	Complied	Note
3.3	Disclose the proportion of woman employees in the whole organisation, woman in senior executive positions and woman on the board.	√	7
3.4	Provide the information indicated in Guide to Reporting on Principle 3	√	
4.1	The Board should establish an audit committee	√	8
4.2	The audit committee should be structured so that it:		
	* consists only of non-executive directors	X	
	* consists a majority of independent directors	√	
	* is chaired by an independent chairman, who is not chairman of the Board	√	
	* has at least three members	√	
4.3	The audit committee should have a formal charter	X	
4.4	Provide the information indicated in Guide to reporting on Principle 4	√	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	√	9
5.2	Provide the information indicated in Guide to reporting on Principle 5	√	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their effective participation at general meetings and disclose their policy or a summary of that policy.	√	10
6.2	Provide the information indicated in the Guide to reporting on Principle 6	√	
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	√	11
7.2	Require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	√	
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	√	
7.4	Provide the information indicated in Guide to reporting on Principle 7	√	
8.1	The board should establish a remuneration committee	√	12
8.2	The remuneration committee should be structured so that it:		
	* consists a majority of independent directors	√	
	* is chaired by an independent chairman	√	
	* has at least three members	√	
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	√	
8.4	Provide the information indicated in the Guide to reporting Principle 8	√	

Notes

1. The directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company.

   Responsibilities of the Board are:
   - overseeing the Company, including its control and accountability systems;
   - appointing and removing the chief executive officer, or equivalent;
   - where appropriate, ratifying the appointment and the removal of senior executives;
   - establishing, monitoring and modifying corporate strategies and performance objectives;
   - ensuring that appropriate risk management systems, internal compliance and control, reporting systems, codes of conduct, and legal compliance measures are in place;
   - monitoring the performance of management and implementation of strategy, and ensuring appropriate resources are available;
   - approving and monitoring of financial and other reporting;
   - approving dividends, major capital expenditure, acquisitions and capital raising/restructures;

19 Corporate Governance Statement (continued)

The Company has an informal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations.

2. While a majority of the Board members are independent directors. The Board believes that the experience and skills of the directors are sufficient to discharge the board's duties effectively.

3. Throughout the reporting period and up to and including the date of this report, the Chairman and Chief Executive Officer are the same person, namely Mr Todd Zani.

4. The Board considers the Company is not currently of size to justify the formation of a Nomination Committee. All Board nomination matters are considered by the whole Board.

   The Board oversees the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's executive management team. The appropriate skill mix, personal qualities, expertise and diversity are factors taken into account in each case. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the required skills.

   The Board annually reviews the effectiveness of the functioning of the Board, individual directors, and senior executives.

5. The Group recognises the need for directors and employees to observe the highest standards of behaviour and business ethics. All directors and employees are required to act in accordance with the law and with the highest standard of propriety. This policy requires all directors and employees to seek approval from the Chairman and the Company Secretary prior to dealing in the Company's securities.

6. The Company's policy regarding directors and employees trading in its securities is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

7. Within the Group, there are following proportion of women:

Employees:	19%
Senior Executives:	66%
Board:	0%

8. The Company has established an Audit Committee as recommended by the ASX principles. The committee is chaired by Mr Todd Zani and is made up of the remaining two other directors. The committee's duties and responsibilities are as follows:

   - reviews the annual, half-year and concise financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
   - assesses whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
   - assesses the adequacy of the internal control framework and the Company's code of ethical standards;
   - discusses the external audit and internal audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
   - monitors the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements;
   - addresses any matters with the auditors, Australian Taxation Office, Australian Securities and Investments Commission, and ASX;
   - reviews the nomination and performance of the external auditor; and
   - reviews and approves corporate governance policy.

19 Corporate Governance Statement (continued)

9. The Company has established procedures designed to ensure compliance with the ASX Listing Rules so that Company announcements are made in a timely manner, are factual, do not omit material information and are expressed clearly and objectively, allowing investors to assess the impact of the information when making investment decisions.

   Established policies also ensure accountability at a senior management level for ASX compliance. The Board approves all disclosures necessary to ensure compliance with ASX Listing Rule disclosure requirements.

10. The Company has a communications strategy and an established policy on stakeholder communication and continuous disclosure to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting commercial information.

    The Company's policy on communication with shareholders is set out in the Company's 'Policy on stakeholder communication and continuous disclosure'.

11. The Board has established policies on risk oversight and management which can be viewed on the Company's website. To carry out this function the Board:

    - oversees the establishment, implementation, and annual review of the Company's risk management system, including assessing, monitoring and managing operational, financial reporting, and compliance risks for the Group;
    - reviews the financial reporting process of the Company;
    - discusses with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures of the Company to assess, monitor and manage business risk;
    - reviews with the external auditor any audit problems and the Company's critical policies and practices; and
    - reviews and assesses the independence of the external auditor.

    Systems of internal financial control have been put in place by the management of the Company and are designed to provide reasonable, but not absolute protection against fraud and material misstatement. These controls are intended to identify, in a timely manner, control issues that require attention by the Board.

    The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

    Practices have been established to ensure:

    - capital expenditure and revenue commitments above a certain size obtain prior Board approval;
    - financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, forward exchange rate management and credit risk management are included in the financial statements;
    - occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
    - business transactions are properly authorised and executed;
    - the quality and integrity of personnel; and
    - financial reporting accuracy and compliance with the financial reporting regulatory framework.

12. The Board has established a Remuneration Committee. The Chairman is Mr Todd Zani.
    The amount of remuneration of all directors and executives, including all monetary and non-monetary components, is detailed in the Directors' Report.

    The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

19 Corporate Governance Statement (continued)

Signed in accordance with a resolution of the directors:

Mr Todd Zani
Executive Chairman

Perth
Dated: 29 September 2017

DIRECTORS' DECLARATION

The directors of Stargroup Limited declare that:

1. in the directors' opinion, the consolidated financial statements and accompanying notes set out on pages 34 to 68 are in accordance with the *Corporations Act 2001* and:

   (a) comply with Australian Accounting Standards and the *Corporations Regulations 2001*; and

   (b) give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date;

2. note 2a confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);

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

4. the remuneration disclosures included in pages 14 to 21 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2017, comply with section 300A of the *Corporations Act 2001*; and

5. the directors have been given the declarations required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Mr. Todd Zani
Executive Chairman

Perth

Dated: 29 September 2017

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001*

To the directors of Stargroup Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

Perth
29 September 2017

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Independent Auditor's Report to the Members of Stargroup Limited

Report on the financial report

Opinion

We have audited the accompanying financial report of Stargroup Limited ("the Company"), including its subsidiaries ("the Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibility for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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Key audit matter	How our audit addressed the key audit matter
Funding and liquidity Refer to Note 2b. The Company reported a net loss before depreciation and amortisation from continuing operations of $1,565,528 and net cash outflows from operating activities of $456,065 for the year ended 30 June 2017 and net current liabilities of $6,934,736 as at 30 June 2017. Subsequent to year end the repayment date of borrowings of $5,290,432 disclosed as current liabilities, was extended to September 2018. The adequacy of funding and liquidity as well as the potential effects on the going concern assumption is a key audit matter as the Group's operations have not yet reached a stage to generate sufficient cash inflows to fund its future operations.	We evaluated the Group's funding and liquidity position at 30 June 2017 and its ability to repay its debts as and when they fall due for a minimum of 12 months from the date of signing the financial report. In doing so, we: • obtained management's three year cash flow forecast for the period ending 30 June 2020; • assessed the reliability and completeness of management's assumptions used in their forecast by comparing the forecast cash flows to those of current and previous years as well as our understanding of the Group's future operating plans and economic conditions; • performed a sensitivity analysis on the forecast cash flows by reducing forecast cash inflows and increasing forecast cash outflows by 10%; • assessed the Company's ability to raise funds through future share placements and discussed the demand for the Company's shares with management and the Company's corporate advisors; • agreed the extension in the repayment terms of the $5,290,432 borrowings to the revised facility agreement; and • considered events subsequent to year end to determine whether any additional facts or information have become available since the date on which management made its assessment.
Recoverable amount of intangible assets Refer to Note 3d. As at 30 June 2017, the Group had recognised intangible assets of $16,308,787, representing the net book value of previously acquired customer contracts. Management's assessment of recoverable amount of intangible assets was a key audit matter due to the following: • the quantum of the Group's intangible assets relative to its total assets; and • the significance of management's assumptions, estimates and judgements regarding expected future market and economic conditions and changes in technology.	Our audit procedures included, amongst others: • obtaining the Group's assessment of whether or not there were any indicators of impairment; • evaluating the assumptions and methodologies used by the Group in their assessment of impairment indicators; • reviewing management's forecasts of revenues and profitability; and • testing that any acquired customer contracts that lapsed during the financial year, or which are not expected to be renewed, were impaired at balance date. In doing so, we also considered the potential effects of market and technological changes on the Group's business and customer relationships.

Other information

The directors are responsible for the other information. The other information comprises the information in Stargroup Limited's annual report for the year ended 30 June 2017, but does not include the consolidated financial report and the auditor's report thereon.

Our opinion on the consolidated financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the consolidated financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at:
www.auasb.gov.au/auditors_responsibilities/ar2.pdf

This description forms part of our auditor's report.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 21 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Stargroup Limited for the year ended 30 June 2017, complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

Perth
29 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017	2016
		$	$
CONTINUING OPERATIONS			
Revenue from continuing operations	7	8,358,080	3,659,418
Cost of sales	11a	(6,290,453)	(2,607,977)
GROSS PROFIT		2,067,627	1,051,441
OTHER INCOME			
Discount on acquisition	8	-	879,966
Revaluation increment	9	633,661	1,284,683
Other Income	10	464,011	-
OPERATING EXPENSES			
Administrative expenses	11b	(4,177,590)	(3,366,968)
Depreciation, amortisation and impairment expenses	11c	(4,320,901)	(1,088,138)
LOSS FROM CONTINUING OPERATIONS BEFORE FINANCING ITEMS		(5,333,192)	(1,239,016)
Net financing (cost)/income	11d	(553,237)	(19,177)
LOSS BEFORE INCOME TAX		(5,886,429)	(1,258,193)
Income tax expense	12a	-	-
LOSS AFTER TAX		(5,886,429)	(1,258,193)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS		(5,886,429)	(1,258,193)
LOSS PER SHARE			
Basic/Diluted loss per share (in cents)	13	(0.97)	(0.38)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
CURRENT ASSETS			
Cash and cash equivalents	14	1,631,718	2,656,515
Trade and other receivables	15	256,191	1,103,418
Inventory	16	868,551	495,546
Other assets	17	443,738	586,416
TOTAL CURRENT ASSETS		3,200,198	4,841,895
NON-CURRENT ASSETS			
Other financial assets	18	2,690,984	2,139,503
Intangibles	19	16,308,787	9,319,023
Property, plant and equipment	20	3,577,814	2,135,220
TOTAL NON-CURRENT ASSETS		22,577,585	13,593,746
TOTAL ASSETS		25,777,783	18,435,641
CURRENT LIABILITIES			
Borrowings	23	5,655,374	49,162
Trade and other payables	21	4,354,408	3,625,460
Provisions	22	125,152	82,084
TOTAL CURRENT LIABILITIES		10,134,934	3,756,706
NON-CURRENT LIABILITIES			
Borrowings	23	3,481,499	162,333
TOTAL NON-CURRENT LIABILITIES		3,481,499	162,333
TOTAL LIABILITIES		13,616,433	3,919,039
NET ASSETS		12,161,350	14,516,602
EQUITY			
Share capital	24	21,278,831	17,502,178
Reserves	25	332,006	577,482
Accumulated losses		(9,449,487)	(3,563,058)
TOTAL EQUITY		12,161,350	14,516,602

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

Consolidated	Issued Capital $	Reserves $	Accumulated Profit/(Losses) $	Total Equity $
Balance as at 1 July 2016	17,502,178	577,482	(3,563,058)	14,516,602
Profit/loss for the year	-	-	(5,886,429)	(5,886,429)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(5,886,429)	(5,886,429)
Transactions with owners of the Company				
Contributions by and distributions to owners of the company				
Issue of share capital	4,010,642	-	-	4,010,642
Share buyback	-	-	-	-
Capital raising costs	(233,989)	-	-	(233,989)
Share Performance Reserve	-	(245,476)	-	(245,476)
Options Reserve	-	-	-	-
At 30 June 2017	21,278,831	332,006	(9,449,487)	12,161,350
As at 1 July 2015	51,725,739	-	(49,840,746)	1,884,993
Loss for the year	-	-	(1,258,193)	(1,258,193)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(1,258,193)	(1,258,193)
Transactions with owners of the Company				
Contributions by and distributions to owners of the company				
Reversal of pre-acquisition share capital (Note 23)	(52,000,883)	-	49,747,216	(2,253,667)
Reverse acquisition transaction – effective consideration and share capital (Note 23)	5,922,716	-	-	5,922,716
Reverse acquisition transaction – retained earnings of Stargroup at acquisition	-	-	(2,211,335)	(2,211,335)
Issue of share capital	13,337,944	-	-	13,337,944
Share buyback	(224,856)	-	-	(224,856)
Capital raising costs	(926,476)	-	-	(926,476)
Share Performance Reserve	-	245,476	-	245,476
Options Reserve	(332,006)	332,006	-	-
At 30 June 2016	17,502,178	577,482	(3,563,058)	14,516,602

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		9,824,323	3,619,269
Cash payments to suppliers and employees		(9,787,718)	(5,102,246)
Dividends received		60,567	-
Interest paid		(554,071)	(29,885)
Interest received		834	11,837
Net cash flow used in operating activities	27(ii)	(456,065)	(1,501,025)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to purchase property, plant and equipment	20	(1,362,059)	(1,450,218)
Cash from business combination		-	1,636,500
Payments for site contracts and other intangibles	19	(10,490,181)	(4,149,132)
Payments to purchase other financial assets		-	(111,121)
Net cash flow used in investing activities		(11,852,240)	(4,073,971)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing of shares		3,358,000	8,924,141
Proceeds from financing arrangements		8,119,827	-
Costs of capital raising		(108,139)	(926,476)
Repayment of interest bearing liabilities		(86,180)	(55,089)
Net cash flow from financing activities		11,283,508	7,942,576
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(1,024,797)	2,367,580
Cash and cash equivalents at 1 July		2,656,515	288,935
CASH AND CASH EQUIVALENTS AT 30 JUNE	27(i)	1,631,718	2,656,515

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1 REPORTING ENTITY

Stargroup Limited (the 'Company') is a for-profit company domiciled in Australia. The address of the company's registered office is Unit 1, 25 Montgomery Way, Malaga WA 6090. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is a vertically integrated banking technology business specialising in design, manufacture, sale and operating of Automatic Teller Machines (ATMs), electronic funds transfer equipment (EFTPOS) and other banking equipment.

2 BASIS OF PREPARATION

a Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group comply with International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board ('IASB').

The accounting policies adopted in this report have been consistently applied by each entity in the Group and are consistent with those of the previous year except for AASB 9 *Financial Instruments.* See Note 3(e)(i).

The financial statements were approved by the Board of Directors on 29 September 2017.

b Going concern

The Company reported a net loss before depreciation and amortisation from continuing operations of $1,565,528 and net cash outflows from operating activities of $456,065 for the year ended 30 June 2017 and net current liabilities of $6,934,736 as at 30 June 2017. Subsequent to year end the repayment date of borrowings of $5,290,432 disclosed as current liabilities was extended to September 2018.

The Board of Directors has considered the following factors in determining the going concern position of the Group:

- The Board has seen a significant transformation in the business since the reverse takeover of iCash in August of 2015 and the revenues from continuing operations has increased 1,318% since the year ended 30 June 2015;
- The Company has successfully raised in excess of $17,000,000 to fund a number of high quality acquisitions and during the course of performing such capital raisings the offers have always been oversubscribed;
- The most recent acquisitions of both the Fast Cash ATM Network and the Indue ATM Businesses in May and June of 2017, adds further considerable gross revenues to the Company and more importantly significant EBITDA contributions to the businesses of the Company for the year ended 30 June 2018 and beyond;
- The Company has successfully regained market confidence in the CashPod ATMs and other technologies manufactured by NeoICP Korea Inc, with the revenue in the StarATM division increasing 374% in the 2017 financial year;
- The Company has successfully launched the casino table deposit solution, foreign exchange machines and ticket in and ticket out redemption terminals at the Australasian Gaming Expo in Sydney in August 2017 as part of further expanding the vertical markets that StarATM will operate in, in the 2018 financial year and beyond; and
- The revenues of the business will significantly increase again in the 2018 year.

Based on the above and the history of successful capital raising, the directors believe the going concern basis which contemplates the continuity of normal business and the realisation of assets and the settlement of liabilities in the ordinary course of business, is appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

2 BASIS OF PREPARATION (continued)

c Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for, where applicable, the revaluation of financial assets at fair value through profit or loss.

d Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

e Use of estimates and judgement

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

- Note 18 – Other financial assets
- Note 19 – Intangible assets
- Note 20 – Property, plant and equipment

3 SIGNIFICANT ACCOUNTING POLICIES

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

a Basis of consolidation

i Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost.

ii Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

iii Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange date when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

c Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation for 2017 and 2016 is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Property, plant and equipment – 20% (2016: 20%)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

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

Impairment losses are recognised in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

d Intangible assets

i Site contracts

Site contracts arose on the acquisition of assets of Cash Plus Australia Pty Ltd and Cash My ATM.

Site contracts represent the consideration paid for the net fair value of the identifiable assets acquired.

Site Contracts are measured at cost less accumulated amortisation and impairment losses.

Site Contracts are amortised over five years in profit or loss.

ii Other intangible assets

Research and development activities

Research

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Capitalised development expenditure is recognised at cost and will be amortised from the date it is available for use.

e Financial instruments

i Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on trade date when the entity becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included in the component or cash and cash equivalents for the purpose of statement of cash flows.

Accounting for finance income and expense is discussed in Note 3(i).

Financial assets at fair value through profit or loss
The Group accounts for financial assets in accordance with AASB 9 *Financial Instruments,* choosing to early adopt the application of the standard since 30 June 2016. The Group elected an accounting policy choice under AASB 9 to classify its investment in equity instruments as financial asset at fair value to profit or loss.

The investment is initially recognised at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred out and the company has transferred substantially all the risks and rewards of ownership.

Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e Financial instruments (continued)

i Non-derivative financial instruments (continued)

Other
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less impairment losses.

ii Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

f Inventories

Inventories are recorded at the lower of cost or net realisable value. Cost is valued on the basis of weighted average costs.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make sale.

g Impairment

i Financial assets

The Group recognises a loss allowance for expected credit losses.

ii Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

h Revenue

i Transaction Fee

Transaction or ATM fee, which is a significant proportion of the revenue for the Group, is recognised once the Group receives information about the occurrence of the transaction.

ii Goods sold

Revenue from sale of goods is measured at the fair value of the consideration received, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable, the associated and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount can be measured reliably.

iii Services

Revenue from services rendered is recognised when the services are provided, it is probable that future economic benefits associated with the transaction will flow to the entity, and the amount can be measured reliably.

i Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit and loss, using effective interest method

Finance expenses comprise interest expense on borrowings. All borrowings costs are recognised in profit and loss using the effective interest method.

j Employee benefits

Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

k Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

l Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

m Other taxes

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

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

The net amount of GST recoverable from the taxation authority is included as part of receivables in the balance sheet.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

n Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

o Adoption of new and revised accounting standards

During the current year, the Group has reviewed all of the new and revised Standards issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The Standards did not have a material impact on the financial statements of the Group.

At the date of authorisation of the financial statements, the Standards that were issued but not effective are listed below, along with an explanation of the impact the adoption of these Standards and Interpretations are expected to have on the financial statements of the Group. The Group has performed a preliminary assessment of AASB 9, 15 and 16 due to their potential material impact on the financial statements.

Reference	Summary of change	Application date of the standard	Applies to financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	Early adopted. Please see note 3(e)(i)	1 January 2018	Early adopted. Please see note 3(e)(i)
AASB 15 *Revenue from Contracts with Customers*	AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and four Interpretations issued by the AASB and amends the principles for recognising revenue from contracts with customers. The Standard requires an entity to recognise revenue on a basis that depicts the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. *Expected impact:* The Group is in the process of reviewing the effect of the Standard on its current contracts.	1 January 2018	30 June 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

o Adoption of new and revised accounting standards (continued)

Reference	Summary of change	Application date of the standard	Applies to financial year ending
AASB 16 *Leases*	AASB 16 replaces AASB 117 *Leases* and sets out the principles for the recognition, measurement, presentation and disclosure of leases. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 *Statement of Cash Flows*. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases. Early application is permitted provided the entity also applies AASB 15 *Revenue from Contracts with Customers* at or before the same date. *Expected impact:* Based on current operating leases for the year ended 30 June 2017, the application of this Standard is not expected to be significant.	1 January 2019	30 June 2020

p Capital management

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

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

q Comparatives

Where necessary, comparatives have been adjusted to reflect current year disclosures.

r Share-based payments

Equity-settled share-based payments are provided to directors and officers. These share-based payments are measured at the fair value of the equity instrument at the grant date. Further details on how the fair value of share based payments has been determined can be found in Note 25.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. For options with non-market based vesting conditions, at each reporting date, the Company periodically revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to reserve.

4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i Financial assets at fair value through profit or loss

The fair value measurement basis for the investment in NeoICP is in Note 28(ii).

5 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

5 FINANCIAL RISK MANAGEMENT (continued)

i *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash balances. For the Company it arises from receivables due from subsidiaries.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

ii *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

iii *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities, being the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are AUD and Korean WON (WON).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has minimal exposure to interest rate risk, the only asset affected by changes in market interest rates is cash and cash equivalents.

The Board of Directors is responsible for assessing financial risks, related controls and other financial risk management strategies. The Group deploys assets and liabilities so as to manage the risk of commercially appropriate levels, bearing in mind the constraints imposed by the Group's size, results and other financial circumstances. The Group aims to balance opportunities to improve profitability against related risks of losses of assets or the incurrence of additional liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

6 SEGMENT REPORTING

The Group comprises only one segment being the manufacture, sale and operation of banking technology equipment. Revenue from external customers is disclosed in Note 7. All the economic entity's assets are located in Australia and its revenue is attributable to customers in Australia. The economic entity does not derive more than 10% of its revenue from any one customer.

7 REVENUE FROM CONTINUING OPERATIONS

	2017	2016
	$	$
ATM sales and software revenue	1,004,153	211,633
ATM transaction fees and service revenue	6,955,254	3,409,628
ATM switching revenue	334,576	-
EFTPOS revenue	39,656	20,061
Insurance recovery	24,441	18,096
	8,358,080	3,659,418

8 DISCOUNT ON ACQUISITION

Discount on Acquisition - Business Combination
On 15 June 2015, the Company announced that it had signed a share purchase agreement to acquire 100% of the issued shares of Stargroup Limited. On 29 July 2015 the shareholders of iCash Payment Systems Limited agreed to the resolutions in relation to the merger as between Stargroup Limited and the Company, whereby the Company acquired 100% of Stargroup Limited and on 7 August 2015 the Share Sale Agreement was completed.

The consideration paid by the Company for the acquisition of Stargroup was $5,500,000, representing 157,142,857 shares in the Company at their assessed fair values of 3.5 cents each. However the acquisition of Stargroup Limited represents a reverse acquisition in accordance with AASB 3 Business Combinations as the transaction results in the shareholders of Stargroup Limited holding a majority of the voting rights in the merged group and the board of directors of the merged group comprises a majority of directors appointed by Stargroup Limited (3 of 5 post transaction).

Consequently, the acquisition date fair value of the consideration transferred is based on the number of equity interests in the legal subsidiary would have to issue to give the owners of the legal parent the same percentage equity interest in the combined entity that results from the reverse acquisition. The net identifiable assets acquired reflect the net assets of the Company as at 7 August 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

8 DISCOUNT ON ACQUISITION (continued)

The Company's assessment of the fair values of the consideration effectively transferred and the assets and liabilities to be recognised as a result of the acquisition are as follows:

	Fair Value $
Fair value of consideration transferred	(1,373,700)
Fair value of assets and liabilities held at acquisitions date:	
Cash and cash equivalents	390,199
Trade and other receivables	173,488
Inventory and other assets	1,445,551
Property, plant and equipment	172,352
Trade and other payables	(203,068)
Share issue 14,285,714 shares	500,000
Share buyback 436,646 shares	(224,856)
Identifiable assets and liabilities – 7 August 2015	2,253,666
Discount on acquisition	879,966

The discount on acquisition reflects the assessment of the independent expert that the assessed fair value of the consideration given by the Company exceeded the assessed fair value of the acquired Stargoup net assets. The discount on acquisition has been recognised in profit or loss.

Reason for Business Combination
The former iCash Board decided the current management was insufficiently experienced to accelerate the Australian ATM operations and that raising further capital from its shareholders would not meet its immediate need for additional, experienced management personnel. The Stargroup Board had significant ATM operation experience and were already well advanced in generating additional income streams as part of establishing itself as a payment systems provider in Australia.

Contribution to the Group Result
The business combination had a material impact on the performance for the year ended 30 June 2016 with revenues of $3,659,418 and a loss for the combined entity for the year of $1,258,193.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

9 REVALUATION INCREMENT

	2017 $	2016 $
Fair Value of NeoICP Investment		
The following reconciliation shows the movement in the investment:		
Fair value of the investment in NeoICP as at beginning of year	2,000,000	938,368
Buyback of NeoICP shares as part of merger	-	(223,051)
Fair value to profit or loss	633,661	1,284,683
Fair value of the investment in NeoICP as at end of year	2,633,661	2,000,000

Please see Note 3(e)(i) for the accounting policy of the Investment in NeoICP.

10 OTHER INCOME

	2017 $	2016 $
Share proceeds from NeoICP	78,444	-
Dividend received	60,567	-
Capital gain on forfeiture of deposit	325,000	-
	464,011	-

11 EXPENSES FROM CONTINUING OPERATIONS

		2017 $	2016 $
a	Cost of Sales		
	Cost of goods sold	668,491	179,291
	Cost of services	5,411,139	2,409,235
	Cost of switching services	135,981	-
	Cost of EFTPOS services	74,842	19,451
		6,290,453	2,607,977
b	Administrative expenses		
	Advertising/promotion expenses	169,923	85,208
	Corporate advisory fees	55,650	176,326
	Directors' fees	92,473	68,147
	Freight expenses	97,976	20,296
	Insurance expenses	105,471	39,675
	Motor vehicle expenses	174,457	66,495
	Public relations and investor services	93,289	81,357
	Rent and outgoings	210,985	163,442
	Salaries and wages	1,733,977	1,282,426
	Share issue expenses	29,827	88,156
	Share based payments expenses	(30,684)	245,476
	Superannuation expenses	166,860	122,859
	Telephone/internet expenses	80,335	38,157
	Travel and accommodation	277,696	168,801
	Legal expenses	58,066	12,936
	Other expenses	861,289	707,211
		4,177,590	3,366,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

		2017	2016
11	EXPENSES FROM CONTINUING OPERATIONS (continued)	$	$
c	Amortisation of intangibles	3,569,189	781,569
	Impairment expenses	111,121	-
	Depreciation	640,591	306,569
	Total depreciation and amortisation	4,320,901	1,088,138
d	Net financing (cost)/income		
	Interest received	834	10,343
	Interest paid	(554,071)	(31,014)
	Foreign exchange expense	-	1,494
		(553,237)	(19,177)

		2017	2016
12	INCOME TAX EXPENSE	$	$
a	The components of income tax expense comprise:		
	Current tax	-	-
	Deferred tax expense/(benefit)	-	-
		-	-

b The prima facie tax on loss from continuing activities before income tax is reconciled to income tax as follows:

	2017	2016
Prima facie income tax expense calculated at 27.5% on the loss from continuing activities (2016: 30%)	(1,366,719)	(377,458)
Tax effect of:		
Non-deductible items	2,643	4,191
Share based payments	(8,438)	73,643
Revaluation of investment in NeoICP Korea Inc.	(174,257)	(385,405)
Non-assessable dividend	(16,656)	-
Discount on acquisition	-	(263,990)
Amortisation	704,321	226,493
Impact of reverse acquisition	-	49,863
Debt forgiven not income	(89,375)	-
Gain on sale of shares non assessable	(21,572)	-
Deferred tax asset not recognised	970,053	672,663
Total income tax expense	-	-

c The components of deferred tax comprise:

	2017	2016
Recognised deferred tax asset	-	-
Unrecognised deferred tax asset	6,636,716	6,314,925
	6,636,716	6,314,925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

12 INCOME TAX EXPENSE (continued)

The Board also wishes to advise that there are capital losses carried forward of $10,899,364 which the Group will be able to offset against future capital gains made by the Group in addition to the income tax losses outlined above. The ability of the Group to utilise the income tax loss will depend on the Group complying with the relevant tax legislation. The franking account balance at the date of this report is $845,436. Franking credits available for subsequent financial years are based on a tax rate of 27.5%.

Management is in the process of executing a strategy which would result in the recognition of unused losses. Further details cannot be provided at this stage as it would prejudice the Group's commercial interests. The Company will make further announcements when appropriate.

13 LOSS PER SHARE	2017	2016
	$	$
Basic/Diluted loss per share (in cents)	(0.97)	(0.38)
Loss used in the calculation of basic and diluted EPS (in $)	(5,886,429)	(1,258,193)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS	604,887,565	331,374,420

14 CASH AND CASH EQUIVALENTS	2017	2016
	$	$
Current		
Cash on hand	400	300
Cash at bank	7,377	2,107,239
Settlement cash*	1,623,941	548,976
	1,631,718	2,656,515

* This cash is restricted and can only be used once ATM costs are settled.

15 TRADE AND OTHER RECEIVABLES	2017	2016
	$	$
Current		
Trade receivables	256,191	294,068
Share placement receivable	-	809,350
	256,191	1,103,418

16 INVENTORY	2017	2016
	$	$
Current		
Inventories	868,551	495,546
Less: Provision for obsolescence	-	-
	868,551	495,546

The movement of inventories during the year of $373,005 (2016: increase of $10,166) has been included in 'cost of sales' in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

17 OTHER ASSETS	2017	2016
	$	$
Current		
Deposits paid on inventory	-	340,431
Prepayments	239,887	25,069
Bartercard	201,889	221,127
Other	1,962	(211)
	443,738	586,416

18 OTHER FINANCIAL ASSETS	2017	2016
	$	$

Fair value through profit or loss

The Group had an 11.1% (2016: 11.28%) equity interest in NeoICP Korea, Inc at the end of the year.

Fair Value of investments		
Fair value of investment 11.1% (2016: 11.28%) (Refer to Note 28(i))	2,633,661	2,000,000
Other financial assets	-	111,121
Guarantee in respect of leased office premises	57,323	28,382
	2,690,984	2,139,503

19 INTANGIBLES	2017	2016
	$	$
Non Current		
Site Contracts | Cash Plus – at cost	6,112,924	6,053,738
Site Contracts | Cash My ATM – at cost	3,913,027	3,913,027
Site Contract | Fast Cash – at cost	3,825,108	-
Deployer Contracts | Indue – at cost	6,605,887	-
Software Expenses	133,827	133,827
	20,590,773	10,100,592
Less : Accumulated Amortisation	(4,281,986)	(781,569)
	16,308,787	9,319,023
Capitalised costs included in cash flows from investing activities	10,490,181	4,149,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

20 PROPERTY, PLANT AND EQUIPMENT	2017 $	2016 $
Non-Current		
Plant and equipment		
At cost	1,515,267	640,377
Less: Accumulated depreciation and impairment	(389,809)	(169,797)
Carrying Value	1,125,458	470,580
ATMs		
At cost	3,240,149	2,043,554
Less: Accumulated depreciation and impairment	(787,792)	(378,914)
Carrying Value	2,452,357	1,664,640
Total		
At cost	4,755,416	2,683,931
Less: Accumulated depreciation and impairment	(1,177,602)	(548,711)
Carrying Value	3,577,814	2,135,220

Plant and equipment
Movement in the carrying amounts for property, plant and equipment between the beginning and the end of the current financial year:

	2017 $	2016 $
Balance at the beginning of year	470,580	78,602
Acquired through reverse acquisition	-	133,838
Additions during the year	874,890	337,968
Depreciation from continuing operations	(220,012)	(79,828)
Carrying amount at the end of year	1,125,458	470,580

ATMs
Movement in the carrying amounts for property, plant and equipment between the beginning and the end of the current financial year:

	2017 $	2016 $
Balance at the beginning of year	1,664,640	110,943
Acquired through reverse acquisition	-	470,929
Additions during the year	1,196,595	1,309,509
Depreciation from continuing operations	(408,878)	(226,741)
Carrying amount at the end of year	2,452,357	1,664,640

Total
Movement in the carrying amounts for property, plant and equipment between the beginning and the end of the current financial year:

	2017 $	2016 $
Balance at the beginning of year	2,135,220	189,545
Acquired through reverse acquisition	-	604,767
Additions during the year[(i)]	2,071,485	1,647,477
Depreciation from continuing operations	(628,891)	(306,569)
Carrying amount at the end of year	3,577,814	2,135,220

(i) Additions during the year	2017 $	2016 $
Capitalised costs included in cash flows from investing activities	1,362,059	1,450,218
Acquired via hire purchase	709,426	197,259
	2,071,485	1,647,477

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21 TRADE AND OTHER PAYABLES

	2017 $	2016 $
Current		
Unsecured liabilities		
Trade creditors – external	2,252,256	423,295
Cash My ATM acquisition payable	-	2,348,812
Settlement funds held in trust	1,513,193	548,976
Sundry creditors and accrued expenses	588,959	304,377
	4,354,408	3,625,460

22 PROVISIONS

	2017 $	2016 $
Current		
Provision for holiday pay	125,152	82,084

Nature and purpose of employee benefits

Provision for holiday pay
Provision for holiday pay represents employee benefits for annual leave in respect of present obligations resulting from employees' services provided to balance date.

23 BORROWINGS

	2017 $	2016 $
Current		
Hire Purchase Liabilities	392,379	61,063
Less: Unexpired Interest	(27,437)	(11,901)
Sydney Credit Provider Loan[1]	5,290,432	-
	5,655,374	49,162
Non-Current		
Hire Purchase Liabilities	624,429	190,000
Less: Unexpired Interest	(142,930)	(27,667)
NeoICP Loan[2]	3,000,000	-
	3,481,499	162,333
Present value of borrowings		
Not later than a year	5,655,374	49,162
Later than a year and not later than five years	3,481,499	162,333
	9,136,873	211,495

[1] The borrowings were due for repayment at 30 June 2017 and interest is at 10.5% p.a. Subsequent to year end, the loan facility was renegotiated; the repayment date was extended to 30 September 2018 and the facility was increased to $6.5m.

[2] The borrowings is due for repayment on 26 March 2019. Interest is at 10% p.a.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24 ISSUED CAPITAL

	Consolidated		Consolidated	
	June 2017 Shares	June 2016 Shares	June 2017 $	June 2016 $
Ordinary shares				
Share capital	725,405,574	586,893,066	21,278,831	17,502,178
Movements during the year				
Balance at beginning of the year	586,893,066	76,784,631	17,502,178	51,725,739
Pre-acquisition transactions:				
Shares issued	-	14,285,714	-	500,000
Shares bought back	-	(7,678,457)	-	(224,856)
Pre acquisition share capital	586,893,066	83,391,888	17,502,178	52,000,883
Reverse acquisition transactions:				
Less: pre-acquisition share capital	-	-	-	(52,000,883)
Add: effective consideration	-	157,142,857	-	1,373,700
Add: Stargroup Limited share capital	-	-	-	4,549,016
Post reverse acquisition share capital	586,893,066	240,534,745	17,502,178	5,922,716
Shares issued in the period post acquisition:				
Cash Plus Acquisition				
Rights issue	-	96,213,898	-	3,367,486
Less: 2018 Options issue	-	-	-	(332,006)
Share issue to vendor	-	78,931,125	-	3,157,245
Less: capital raising costs	-	-	-	(486,292)
Post-acquisition share capital	586,893,066	415,679,768	17,502,178	11,629,149
Cash My ATM Acquisition				
Share issue to vendor	-	8,908,060	-	445,403
Private placement share issue	-	83,333,333	-	3,000,000
Rights issue	-	78,971,905	-	2,867,810
Less: capital raising costs	-	-	(51,974)	(440,184)
Post-acquisition share capital	586,893,066	586,893,066	17,450,204	17,502,178
Private Placement				
Private placement share issue	5,000,000	-	180,000	-
Less: capital raising costs	-	-	(4,550)	-
Post-private placement share capital	591,893,066	586,893,066	17,625,654	17,502,178
2016 Performance Shares				
Rights Scheme (refer note 25 A)	2,500,000	-	135,889	-
Post 2016 performance share capital	594,393,066	586,893,066	17,761,543	17,502,178
Indue ATM Business Acquisition				
Private placement share issue	129,137,508	-	3,615,850	-
Less: capital raising costs	-	-	(177,465)	-
Post Indue acquisition capital	723,530,574	586,893,066	21,199,928	17,052,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24 ISSUED CAPITAL (continued)

	Consolidated		Consolidated	
	June 2017	June 2016	June 2017	June 2016
	Shares	Shares	$	$
2017 Performance Share Issue				
Rights Scheme (refer note 25 A)	1,875,000	-	78,903	-
Post 2017 performance share capital	725,405,574	586,893,066	21,278,831	17,502,178
Balance at the end of the year	725,405,574	586,893,066	21,278,831	17,502,178

A *Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its issued shares.

25 RESERVES

	2017	2016
	$	$
Share Performance Reserve	-	245,476
Options Reserve	332,006	332,006
	332,006	577,482

A *Share Performance Reserve*

10,000,000 Performance rights were issued to key management personnel as approved by the Company's shareholders on 29 July 2015. The performance rights will result in shares being issued to key management personnel in four 2,500,000 equal tranches on the attainment of varying performance hurdles upon the achievement of the deployment of a fixed number of ATMs as we ass EBITDA and NPAT targets in the relevant years. The first hurdle was the attainment of 250 ATMs in Australia and the achievement of $2,500,000 annualised revenue (measured over a rolling three month term) by 31 December 2016.

The second hurdle was the attainment of 500 ATMs in Australia and the achievement of $5,000,000 annualised revenue (measured over a rolling there year term) by 30 June 2017. As at the date of this report, the Company has already greater than 500 ATMs and had actual annual revenues of greater than $9,000,000. As a result the first and second tranche of performance shares were converted to ordinary shares during the year ended 30 June 2017.

During the year the second, third and fourth rights held by Mr Zaffer Soemya and Mr Shaun Sutton were cancelled as a result of the resignation of both parties and in relation to the rights held by Mr Zaffer Soemya, these were offered up to Mr Jason Warren and the original rights issued to Mr Zaffer Soemya and Mr Shaun Sutton were cancelled at the annual general meeting held in November 2016 and the rights issued to Mr Jason Warren were also approved at that time. As a result the remaining Performance rights are for two tranches of 1,875,000 shares to key management personnel.

As a result, the remaining performance rights still on issue comprise:

Name	Number of Performance Rights	Details
Todd Zani	2,000,000	2018 and 2019 Performance Rights issued as shares
NeoICP	1,000,000	2018 and 2019 Performance Rights issued as shares
Jason Warren	750,000	
	3,750,000	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

25 RESERVES (continued)

B *Options Reserve*

The options reserve records the 48,106,934 free-attaching listed options issued to raise capital for the acquisition of Cash Plus on 1 December 2015. These options have an exercise price of $0.05 per share and are required to be exercised on or before 30 November 2018.

During the year ended 30 June 2017, 125,137,508 free-attaching listed options were included as part of a capital rising to sophisticated and professional investors as part of the raising of capital to complete the acquisition of the Indue ATM Businesses. These were offered on the same terms and conditions as the previously issued listed options, and were offered to holders that subscribed for one fully paid ordinary share in the capital of the Company.

These free-attaching listed options required shareholder approval and this approval was obtained at an extraordinary general meeting held by the Company on 23 August 2017 and were issued to the shareholders on that date.

26 CONTROLLED ENTITIES

As at the date of this report, Stargroup Limited controls the following entities:

	Consolidated entity interest		Investment at cost	
	2017	2016	2017	2016
	%	%	$	$
Parent entity				
Stargroup Limited	-	-	-	-
Directly controlled				
CashPod ATM Pty Ltd (previous name ICA Entertainment Pty Ltd)	100	100	100	100
iCash Asia Pty Ltd	100	100	100	100
Stargroup Investments Limited (previous name Stargroup Limited)	100	100		
Star Payment Systems Pty Ltd	100	100	-	-
StarPOS Pty Ltd	100	100	-	-
StarATM Pty Ltd	100	100	-	-
StarApps Pty Ltd	100	100	-	-
StarLink Pty Ltd (previous name StarLabs Pty Ltd)	100	100	-	-
Fast Cash ATM Australia Pty Ltd	100	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

		2017	2016
i.	Reconciliation of cash	$	$
	Cash at bank and on hand	1,631,718	2,656,515
ii.	Reconciliation of net cash from operating activities		
	Loss for the year	(5,886,429)	(1,258,193)
	Depreciation and amortisation expense	4,209,780	1,088,138
	Impairment and write-off of assets	111,121	-
	Discount on acquisition	-	(879,966)
	Revaluation increment	(633,661)	(1,284,683)
	Share based payments	(30,684)	245,476
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
	Change in trade and term debtors	847,227	(40,149)
	Change in prepayments and other assets	244,513	(335,044)
	Change in inventory	(373,005)	(10,167)
	Change in other financial assets	-	(15,732)
	Change in trade and other creditors	1,012,005	954,213
	Change in provisions	43,068	33,953
	Change in other liabilities	-	1,129
	Net cash used in operating activities	(456,065)	(1,501,025)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

28 FINANCIAL INSTRUMENTS

i Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities.

30 June 2017	Carrying amount			
	Designated at fair value	Loans and receivables	Other financial liabilities	Total
	$	$	$	$
Financial assets measured at fair value				
Equity interest in NeoICP Korea, Inc	2,633,661	-	-	2,633,661
	2,633,661	-	-	2,633,661
Financial assets not measured at fair value	-			
Cash and cash equivalents	-	1,631,718	-	1,631,718
Trade and other receivables	-	256,191	-	256,191
Guarantee in respect of leased office premises	-	57,323	-	57,323
	-	1,945,232	-	1,945,232
Financial liabilities not measured at fair value				
Borrowings	-	-	(9,136,873)	(9,136,873)
Trade and other payables	-	-	(4,354,408)	(4,354,408)
			(13,491,281)	(13,491,281)
Net financial assets/(liabilities)	2,633,661	1,945,232	(13,491,281)	(8,912,388)

30 June 2016	Carrying amount			
	Designated at fair value	Loans and receivables	Other financial liabilities	Total
	$	$	$	$
Financial assets measured at fair value				
Equity interest in NeoICP Korea, Inc	2,000,000	-	-	2,000,000
	2,000,000	-	-	2,000,000
Financial assets not measured at fair value				
Cash and cash equivalents	-	2,656,515	-	2,656,515
Trade and other receivables	-	1,103,418	-	1,103,418
Guarantee in respect of leased office premises	-	28,382	-	28,382
Other financial assets	-	111,121	-	111,121
	-	3,899,436	-	3,899,436
Financial liabilities not measured at fair value				
Borrowings	-	-	(211,495)	(211,495)
Trade and other payables	-	-	(3,625,460)	(3,625,460)
	-	-	(3,836,955)	(3,836,955)
Net financial assets/(liabilities)				
	2,000,000	3,899,436	(3,836,955)	2,062,481

Estimation of fair values

The methods used in determining the fair values of other financial assets are discussed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

28 FINANCIAL INSTRUMENTS (continued)

ii Fair value hierarchy

The table below analyses financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derives from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	$	$	$	$
30 June 2017				
Investment in NeoICP	-	-	2,633,661	2,633,661
30 June 2016				
Investment in NeoICP	-	-	2,000,000	2,000,000

The fair value measurements for the investment in NeoICP (see Note 18 “Other Financial Assets”) have been categorised as “Level 3” based on the inputs to the valuation technique used.

For a full reconciliation of the movement in the investment in NeoICP see Note 9.

Valuation techniques used in measuring Level 3 fair values and significant unobservable inputs used are described as follows:

NeoICP is an unlisted company incorporated in South Korea. Accordingly, there is no readily available market prices to value a NeoICP share.

The fair value of the NeoICP shares has been determined based on the value ascribed to the shares in the arm’s length debt facility entered into by the Group and NeoICP.

iii Currency risk

Exposure to currency risk

The Group’s exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2017		30 June 2016	
	AUD	KRW*	AUD	KRW*
Other financial assets –				
Equity interest in NeoICP Korea Inc	2,633,661	2,314,130,860	2,000,000	1,710,720,000
Net exposure	2,633,661	2,314,130,860	2,000,000	1,710,720,000

The following significant exchange rates applied during the year:	Average rate		Reporting date spot rate	
	2017	2016	2017	2016
	$	$	$	$
Korean WON	859	854	880	855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

28 FINANCIAL INSTRUMENTS (continued)

iii Currency risk (continued)

Sensitivity analysis
A 10% strengthening of the Australian dollar against the above currencies at 30 June 2017 would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

	Equity AUD	Profit or loss AUD
30 June 2017		
10% increase	(263,366)	(263,366)
30 June 2016		
10% increase	(200,000)	(200,000)

Sensitivity analysis
A 10% weakening of the Australian dollar against the above currencies at 30 June 2017 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

iv Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Exposure to credit risk
The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2017	2016
	$	$
Cash and cash equivalents	1,631,718	2,656,515
Trade and other receivables	256,191	1,103,418
	1,887,909	3,759,933

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

	Carrying amount	
	2017	2016
	$	$
ATM deployment customers	41,170	294,068
Other customers	215,021	-
	256,191	249,068

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

28 FINANCIAL INSTRUMENTS (continued)

iv Credit risk (continued)

Impairment losses
The ageing of trade and other receivables at the end of the reporting period that were not impaired was as follows:

	Carrying amount 2017	Carrying amount 2016
	$	$
Neither past due or impaired	190,368	187,632
Past due 1 – 30 days	7,518	55
Past due over 30 days	58,305	106,381
	256,191	294,068

v Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Exposure to liquidity risk
The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2017	Carrying amount	Contractual cash flows Total	2 months or less	2 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	4,354,408	(4,354,408)	(4,354,408)	-	-	-	-
Borrowings	9,136,873	(9,832,485)	(113,895)	(5,867,416)	(3,617,380)	(233,794)	-
	13,491,281	(14,186,893)	(4,468,303)	(5,867,416)	(3,617,380)	(233,794)	-

30 June 2016	Carrying amount	Contractual cash flows Total	2 months or less	2 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	3,625,460	(3,625,460)	(3,625,460)	-	-	-	-
Borrowings	211,495	(239,163)	(10,177)	(50,886)	(61,063)	(117,037)	-
	3,836,955	(3,864,623)	(3,635,637)	(50,886)	(61,063)	(117,037)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

28 FINANCIAL INSTRUMENTS (continued)

vi Interest rate risk

The Group is exposed to interest rate risk and manages this risk by keeping liabilities to a financially tolerable level and taking into account expected movements in interest rates.

Some of the Group's assets are subject to interest rate risk but the Group is not dependent on this income. Interest income is only incidental to the Group's operations and operating cash flows. The Group's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The sensitivity analyses of the Group's exposure to interest rate risk at the reporting date has been determined based on the change of 50 basis points in interest rates. At reporting date, if interest rates had been 50 basis points higher and all other variables were constant, the Group's net profit would have decreased by $12 (2016: net loss decrease of $10,495) with a corresponding increase (2016: increase) in equity. Where interest rates decreased, there would be an equal and opposite impact on the profit.

The Group's sensitivity to interest rates has increased during the current period mainly due to the interest bearing loan account.

29 KEY MANAGEMENT PERSONNEL

The following were the key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

Jong Ho (Jay) Kim
Evan Maxwell McGregor (appointed on 25 August 2016)

Executive directors

Todd Zani (appointed on 1 July 2015)
Shaun Sutton (appointed on 25 August 2015, resigned on 25 August 2016)

Chief Operating Officer

Trena Briggs (appointed 25 August 2016))

The key management personnel ('KMP') compensation included in 'administrative expenses' (see note 11(b)) is as follows:

	2017	2016
	$	$
Short-term employee benefits	503,963	741,858
Post-employment benefits	46,328	65,007
Share based payments	-	188,000
	550,291	994,865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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30 RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions and outstanding balances that have been entered into with related parties for the years ended 30 June 2017 and 30 June 2016.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		$	$	$	$
NeoICP Korea Inc (i)	2017	-	727,404	-	3,769,519
	2016	-	602,120	-	-
Ezetax Pty Ltd (ii)	2017	-	154,417	-	15,396
	2016	-	147,190	-	8,544
VComms & DFL (iii)	2017	-	-	-	-
	2016	-	199,032	-	5,990
Cash Plus Australia (iii)	2017	-	-	-	-
	2016	-	11,139	-	8,230
K & P Law Firm (iv)	2017	-	-	-	-
	2016	-	10,888	-	-
Dream Bright (v)	2017	-	-	-	-
	2016	-	60,000	-	-

Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

(i) The investment held in NeoICP is disclosed in Note 18.

(ii) Mr Todd Zani is the Managing Director of Ezetax Pty Ltd. Ezetax Pty Ltd provided accounting services ($56,331) and rent and variable outgoings in relation to the Head Office in Malaga, Western Australia ($98,086).

(iii) Mr David Dickinson resigned as a director of Stargroup in April 2016. Mr Dickinson is the Managing Director of VComms Pty Ltd and Cash Plus Australia. VComms provided telecommunication services for the ATM Network and Cash Plus Australia provided ATM network support services.

(iv) Mr Taejin Kim resigned as a director of Stargroup in April 2016. Mr Kim is a Director of K & P Law Firm and K & P Law Firm assisted in the buy-back of NeoICP shares as part of the reverse takeover transaction.

(v) Michelle Zani is the sole director and shareholder of Dream Bright Nominees Pty Ltd, which is the sixth largest shareholder of the Company. In May 2017, $112,000 owing to Dream Bright was repaid through the issue of ordinary shares.

Directors' remuneration and shareholdings are disclosed in the remuneration report included in pages 14 to 21 of the directors' report.

31 AUDITORS' REMUNERATION

Audit & Review services	2017	2016
Auditors – Nexia Perth and Nexia Court & Co (previous auditor)	$	$
Audit and half year review of the financial reports	77,810	76,773
Other services		
Nexia Perth	2,800	1,500
Nexia Court & Co (previous auditor)	14,000	3,038
	16,800	4,538

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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32 COMMITMENTS

a Operating Leases

	2017	2016
Non-cancellable operating lease payments are payable as follows:	$	$
Less than one year	170,977	101,367
Between one and five years	491,332	212,890
	662,309	314,257

Leases related to office premises in Australia and motor vehicle leases.
During the year an amount of $210,501 (2016: $185,397) was recognised as an expense in profit or loss in respect of operating leases.

b Bank Guarantees

Commonwealth Bank of Australia held bank guarantees on behalf of the Group as follows:	2017	2016
	$	$
Guarantee in respect of leased office premises	57,323	28,382

33 CONTINGENT LIABILITY

There are no contingent liabilities as at 30 June 2017 and 30 June 2016.

34 EVENTS SUBSEQUENT TO REPORTING DATE

Issue of Options and Ratification of Shares Issued

On 4 May 2017 the Company issued 124,642,865 shares at $0.028 per share in a placement to sophisticated and professional investors. The placement raised $3,490,000 (before costs) and under the placement investors were also to receive one free attaching option exercisable at $0.05, expiring on or before 30 November 2018.

On the same date, the Company also issued 4,494,642 shares to PAC Partners Pty Ltd in consideration for their assistance with the Company's fundraising.

On 26 June 2017 the Company announced that of the Placement shares issued, 4 million ordinary shares were subscribed to by an entity associated with Mr Todd Zani that should not have participated in the Placement without shareholder approval and the ASX determined that the Company must take corrective action with respect to the related shares and accordingly the Company took and completed the corrective action by 29 June 2017.

On 20 July 2017 the Company called an Extraordinary General Meeting which was held on 23 August 2017 to ratify the placement of the shares and options which were issued and/or agreed to be issued as part of the funding for the acquisition of the Indue ATM businesses, not including the corrective action shares and option as outlined above. These were as follows:

- The issuance of 120,642,865 shares to sophisticated and professional investors;
- The issue of 4,494,463 shares to PAC Partners Pty Ltd;
- The issue of up to 120,642,865 November 2018 options to sophisticated and professional investors;
- The issue of up to 4,494,463 Broker November 2018 Options;
- The issue of up to 2,000,000 shares and 2,000,000 November 2018 options to Mr Todd Zani (or his nominee); and
- The issue of up to 2,000,000 shares and 2,000,000 November 2018 options to Mr Evan McGregor or his nominees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

34 EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

All of the resolutions put to the shareholders were unanimously carried by a show of hands and the results of the Extraordinary General Meeting were announced to the market on 23 August 2017. The options were issued to the sophisticated, professional investors and PAC Partners Pty Ltd on that date in accordance with the Appendix 3B lodged at that time.

In August 2017, the Group refinance the Sydney credit provider loan facility, extending the repayment date to 30 September 2018 and increasing the available facility to $6.5m.

35 PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2017 the parent entity of the Group was Stargroup Limited.

	2017 $	2016 $
Result of parent entity		
Profit/(loss) for the year	(5,670,745)	876,131
Total comprehensive income for the year	(5,670,745)	876,131
Financial position of the financial entity at year end		
Current assets	17,327,262	12,356,415
Non-current assets	3,548,744	2,315,576
Total assets	20,876,006	14,671,991
Current liabilities	5,412,106	208,440
Non-current liabilities	3,302,550	162,333
Total liabilities	8,714,656	370,773
Total equity of the parent entity comprising of		
Issued capital	16,729,515	12,953,162
Reserves	332,006	577,482
Retained earnings	(4,900,171)	770,574
Total equity	12,161,350	14,301,218

Parent entity capital commitments for the acquisition of property, plant or equipment.
The parent entity has not entered into any contractual commitments for the acquisition of property, plant or equipment.

Parent entity guarantees in respect of the debts of the subsidiaries
The parent entity has not entered into any deed of guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

SHAREHOLDER INFORMATION
AS AT 27 SEPTEMBER 2017

A. Substantial Shareholders

	Number of Shares	Percentage of issued shares
ARTHUR OGNENIS AND HOVER HOLDINGS TY LTD	119,734,294	16.46

B. Distribution of Fully Paid Ordinary Shares

		Total holders
(i) Distribution schedule of holdings	1-1,000	72
	1,001-5,000	21
	5,001-10,000	134
	10,001-100,000	763
	100,001 and over	575
	Total number of holders	1,565

(ii) Percentage held by the 20 largest holders	47.72

C. Twenty Largest Shareholders as at 27 September 2017

	Name	Units	% of Units
1.	HOVER HOLDINGS PTY LTD	109,846,980	15.10
2.	NEOICP KOREA INC	32,000,549	4.40
3.	TOMIALCOCL PTY LTD <TOMIALCOCL FAMILY A/C>	26,500,000	3.64
4.	PALM VILLA PTY LTD	21,781,712	2.99
5.	MR DAVID FREDERICK OAKLEY <DFO INVESTMENT A/C>	16,499,999	2.27
6.	DREAM BRIGHT NOMINEES PTY LTD	15,500,000	2.13
7.	CITICORP NOMINEES PTY LTD	14,033,753	1.93
8.	SLADE TECHNOLOGIES PTY LTD <EMBREY FAMILY S/FUND A/C>	12,312,171	1.69
9.	TOWNS CORPORATION PTY LTD <PAE FAMILY A/C>	12,225,000	1.68
10.	ARTHUR OGNENIS + HELEN OGNENIS + VICK OGNENIS <OGNENIS SUPER FUNC A/C>	9,887,314	1.36
11.	MR ANDREW JOHN PEARSON	9,700,000	1.33
12.	MR DAVID FREDERICK OAKLEY	9,499,999	1.31
13.	MR JASON MATHEW WARREN	8,778,423	1.21
14.	MRS MAUREEN LEE BAKER	7,779,318	1.07
15.	MEIKTILA PTY LTD <ZS FAMILY A/C>	7,589,130	1.04
16.	YUNKI PTY LIMITED <THE GRAY SUPERFUND A/C>	7,000,000	0.96
17.	COMSEC NOMINEES PTY LIMITED	6,802,981	0.94
18.	SEA DRAGON ENTERPRISES PTY LTD <PENGUIN A/C>	6,771,430	0.93
19.	MR RADEK BURES	6,350,000	0.87
20.	MR ROBERT SCOTT MINNEY	6,231,629	0.86
	TOP 20 HOLDERS OF ISSUED CAPITAL AS AT 27 SEPTEMBER 2017	347,090,388	47.72
	TOTAL REMAINING HOLDERS BALANCE	380,315,186	52.28

D. Voting Rights – Ordinary Shares

On a show of hands, every member, present in person or by proxy, shall have one vote and upon a poll every member, present in person or by proxy, shall have one vote for each share.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Directors

Mr Todd Zani
Mr Jong Ho (Jay) Kim
Mr Evan Maxwell McGregor

Company Secretary
Mr Sungki Lee

ASX Code
STL

Stargroup Limited is a company limited by shares, incorporated in Australia.

DIRECTORY

Australia
Stargroup Limited
ABN 87 061 041 281

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Unit 1, 25 Montgomery Way
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Website: www.starpaymentsystems.com.au

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Malaga DC WA 6945

New South Wales
Unit 9, 376 Newbridge Road
Moorebank, NSW, 2170

Unit 7, 3 Wollongbar Street
Byron Bay, NSW, 2481

Queensland
Unit 13, 197 Murrarrie Road
Murrarrie, QLD, 4172

Auditors
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Level 3, 88 William Street
Perth, WA 6000
Telephone: +61 (0) 8 9463 2463
Facsimile: +61 (0) 8 9463 2499
Website: www.nexiaperth.com.au

Share Registry
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452 Johnston Street
Abbotsford VIC 3067
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Facsimile: +61 1300 137 341
Website: www.computershare.com.au